

Last Week's Top Stories in Retail **January 02, 2009**

Woolworths U.K. Closing Up Shop

New York City (December 31, 2008) Woolworths, for decades one of the United Kingdom's most popular retail chains, is going out of business.

The beleaguered chain, whose official name is the Woolworths Group, announced in mid-December that it would shut down its 807 stores by Jan. 5. In fact, the closings have already begun, with more than 400 Woolworths stores across the United Kingdom shuttered. The remaining stores will follow suit in a staggered fashion by the Jan. 5 deadline.

A retail mainstay in the United Kingdom for nearly 100 years, Woolworths' troubles have been mounting for some time. Its stores seemed increasingly outdated and old-fashioned, particularly compared to such deep-pocketed rivals as Tesco, Asda and other competitors. But its problems intensified in 2008 under the global credit crunch as it struggled under the weight of its debt. The situation grew dire when it was forced to pay cash while buying goods from suppliers because trade credit insurers were no longer prepared to cover its suppliers.

Trans World CEO Under New Contract

Albany, N.Y. (December 31, 2008) Trans World Entertainment Corp. CEO Robert J. Higgins will be paid a \$1 million per year base salary as part of a new, three-year contract with the company.

Higgins' new contract takes effect Dec. 31, according to a filing with the U.S. Securities and Exchange Commission.

Higgins was paid a base salary of \$1.25 million in 2007, as well as in 2008.

The new agreement replaces a five-year contract that expired April 30.

Starbucks Expanding Tea Offerings

Seattle (December 31, 2008) Starbucks Corp. said Tuesday it will begin selling three new tea-based lattes and two nondairy tea drinks on Saturday as part of a push to offer customers healthier choices.

The company introduced more whole-grain, low fat breakfast offerings earlier this year, including instant oatmeal, which has been hugely popular.

Strong Sales Uptick in Christmas Week Recap

New York City (December 31, 2008) In a spot of good news for the nation's beleaguered retailers, retail sales rose a strong 21.2% for Christmas week (Dec. 21 to Dec. 27) compared to the same period in 2007, according to ShopperTrak's retail sales estimate. Total U.S. foot traffic, however, for the week fell 4.9% compared to last week, ShopperTrak reported.

The downturn in year-over-year traffic was slight when compared to the dramatic traffic declines retailers have experienced so far this season, the report said. On a week-over-week level, shopper traffic showed a significant increase as the 2008 calendar shift allowed more of a boost from procrastinating shoppers looking for deeply discounted items and last-minute deals on Monday, Tuesday and Wednesday.

Additionally, Dec. 26, a day ShopperTrak anticipated would be the third best-performing day this season, provided a much-needed traffic lift as consumers took advantage of post-holiday sales and began redeeming gift cards.

The 2008 calendar shift significantly helped year-over-year performance (+21.2%) as more consumers shopped Monday, Tuesday and Wednesday in 2008 as opposed to the days leading into Super Saturday in 2007 (Dec. 20 and Dec. 21). But last week's strong week-over-week

performance highlighted the fact that many consumers were waiting for discounted items and exploded onto the scene just prior to Christmas-and on Dec. 26-to redeem gift cards and search for post-holiday sales, according to ShopperTrak.

Harris Teeter Expands in D.C.

Washington, D.C. (December 30, 2008) Harris Teeter plans to open its newest Washington, D.C.-area store in Tysons Corner on Jan. 13. The 65,000-sq.-ft. store will be open 24 hours.

Consumer Confidence at Record Low

New York City (December 30, 2008) Consumer confidence fell to a record low in December as the worst job market in 16 years hammered sentiment, the Conference Board said on Tuesday.

The Conference Board, a business-research company, said its Consumer Confidence Index fell to 38.0 in December from a slight downwardly revised 44.7 in November.

"The further erosion of the Consumer Confidence Index reflects the rapid and steep deterioration of economic conditions that occurred in the fourth quarter of 2008," said Lynn Franco, director of the Conference Board's Consumer Research Center.

"The overall economic outlook remains quite dismal for the first half of 2009, and only a modest recovery is expected in the second half."

QVC to Cut 500 Jobs

West Chester, Pa. (December 30, 2008) QVC Inc. plans to eliminate 500 jobs early next year at its headquarters in West Chester, Pa., the state Department of Labor reported Tuesday.

Cuts will also be made in a distribution center in the area, according to a Worker Adjustment and Retaining Notification (WARN notice) filed with the state by QVC senior VP Lawrence R. Hayes.

QVC said it expects "to discontinue a significant portion of its operations" at the site, and the job eliminations were characterized as "permanent layoff[s]."

Report: Retail Industry to Face More Pressure in '09

New York City (December 30, 2008) The 2009 outlook for U.S. retail ratings indicates another year of heavy downward pressure, according to a new report by Standard & Poor's Ratings Services titled "Weak Economy Portends More Pressure On U.S. Retail Ratings In 2009," published on RatingsDirect.

"With the economy in a recession and consumers in turmoil due to sharp declines in discretionary incomes and rising unemployment, we see 'stay-away-from-stores' behavior continuing well into 2009," said Standard & Poor's credit analyst Gerald A. Hirschberg.

Retailers have drastically cut back inventories for 2009 and although this is likely to mean weak sales, it could strengthen gross margins.

Survey: Netflix, Amazon Tops in Customer Satisfaction

Ann Arbor, Mich. (December 30, 2008) Netflix and Amazon delighted holiday shoppers online while Web sites for Circuit City, Gap, Home Depot, HSN, Neiman Marcus fell below industry standards in terms of customer satisfaction, according to the annual Top 40 Online Retail Satisfaction Index from ForeSee Results and FGI Research.

The survey uses the patented methodology of the University of Michigan's American Customer Satisfaction Index (ACSI) to examine how successful the top 40 retail websites are at encouraging loyalty and purchase intent. All 40 Web sites are rated on a 100-point scale. It found that a highly satisfied online shopper is 73% more likely to purchase online, 38% more likely to purchase offline, and 75% more likely to recommend than a dissatisfied Web site shopper.

"In a recession, knowing that improving customer satisfaction with your Web site can engender that kind of loyalty, and purchase intent is like money in the bank," said Larry Freed, president and CEO, ForeSee Results. "But too many e-retailers are ignoring this crucial metric, and it

shows in the results of our study. Only two of the 40 measured e-tailers scored above 80, and more than a quarter scored 70 or below. Nearly 40% saw satisfaction drop year-over-year. That's just not playing to win in this economy."

Spartan Stores Completes Acquisition

Grand Rapids, Mich. (December 30, 2008) Spartan Stores announced that it has completed its previously announced acquisition of 17 supermarkets and 15 pharmacies from VG's Food Center and VG's Pharmacy, a privately held Fenton, Mich.-based retail grocery operator.

Spartan said it believes the transaction will increase its annual retail-segment sales by approximately \$300 million, with annual consolidated sales increasing approximately \$150 million, as VG's is an existing distribution customer.

Report: Apparel Makers to Ask Retailers for Concessions

New York City (December 30, 2008) Apparel manufacturers, upset with the deep holiday discounts being offered by retailers, may force department stores to absorb a larger chunk of the markdowns, Bloomberg reported.

Liz Claiborne Inc., HMS Productions Inc. and other apparel companies plan to push back at the retailers who slashed prices as much as 70% this holiday season, according to the report. It cited Lou Breuning, president of New York City-based HMS, saying the company was asking department stores for concessions. HMS sells Spence blouses at Dillard's Inc. and Cable & Gauge knits through Macy's.

Amazon: 2008 Season was 'Best Ever'

Seattle (December 29, 2008) Amazon.com, Inc. said its 2008 holiday season was the company's "best ever."

Amazon said more than 6.3 million items were ordered and 5.6 million units shipped during its peak day on Dec. 15.

Menards Offering Credit-Card Rebates

Eau Claire, Wis. (December 29, 2008) Home-center chain Menards is promoting its post-Christmas sales with an automatic 10% rebate on all sales through its Menards Big Card private-label credit-card program.

Under the plan, the rebate value is calculated automatically at the point of sale, and checks are mailed to consumers in four-to-six weeks after the purchase.

Wal-Mart Joins Russian Retail Lobby Group

Moscow (December 29, 2008) Wal-Mart Stores has joined the Russian retail association, the lobby group said. The move indicates Wal-Mart's growing interest in expanding into Russia.

Members of the association include Carrefour, Auchan, Metro AG, X5 Retail Group and Magnit.

In April, Wal-Mart appointed an executive to head its efforts to explore business opportunities in Russia and neighboring markets.

American Apparel Names CFO

Los Angeles (December 29, 2008) American Apparel has named Adrian Kowalewski CFO to succeed Ken Cieply, who left the company in May amid turmoil with founder and CEO Dov Charney.

William T. Gochnauer had served as interim CFO. Kowalewski will continue to serve as director of corporate finance and development and as a board member, and will now be responsible for financial management, accounting and reporting.

Parent Co. Files Chapter 11

Denver (December 29, 2008) Struggling retailer Parent Co. said it has voluntarily filed for Chapter 11 bankruptcy protection and will consider selling some or all of its operations. The company was created in Jan. 2008 when the combination of Denver-based eToys with Jupiter,

Fla.-based Baby Universe decided to officially change its name to something that described its new focus on growing families.

"This action is an unfortunate but necessary and responsible step to preserve the company's value for our stakeholders in light of the ongoing challenging retail environment," chief executive Michael Wagner said in a statement.

Holiday Sales Tumble

New York City (December 29, 2008) Preliminary sales reports for the holidays paint a bleak picture for the nation's retail industry. According to SpendingPulse, the retail data service of MasterCard Advisors, sales fell approximately 2% in November and 4% from Dec. 1 to Dec. 24. It is the steepest drop since it started tracking the data in 2002, said Michael McNamara, VP, research and analysis, MasterCard Advisors.

Leading the slump were luxury goods, which, including jewelry sales, plunged 34.5%. However, there were some sectors that fared well, keeping the total sales decline to single digits. Among those showing strength were stores that sell food, including grocery chains and big-box retailers, and some types of restaurants.