THE NATION'S RETAIL POWER PLAYERS 2005

A SPECIAL REPORT SPONSORED BY TRIVERSITY

STORES

THE NATION'S RETAIL POWER PLAYERS 2005

BY DAVID P. SCHULZ

What a difference a year makes. Wal-Mart is everything it was a year ago, only bigger, and much of the rhetoric and media attention has subsided. The retail industry has been allowed to settle back into its insular world of supply chains, markdowns, LIFO, loss prevention and, to paraphrase Marshall Field, giving the lady what she wants.

Even with retail's return to a semblance of normalcy, there have been some extraordinary developments over the last 12 months:

A renewed focus on department stores, as the two largest companies — Federated Department Stores and May Department Stores — merge into one;

Supermarkets learning to cope with Wal-Mart, but flummoxed by the surge of natural/organic stores, limited assortment/low-price grocers and upscale specialty supermarkets;

Shakeout among drug stores after the dispersal sale of Eckerd, even as general merchandise retailers make more in-roads into the pharmacy business.

The back-to-normal routine extends to the annual STORES Top 100 Retailers survey where, despite some shuffling of a place or three, the 20 largest companies of

#78 LUXOTTICA

#24 OFFICE DEPOT

Triversity Inc. (www.triversity.com) is proud to continue its sponsorship of the annual Top 100 Retailers edition of STORES Magazine. As the authoritative ranking of the largest U.S.-based retail companies by annual revenues, the Top 100 is the most widely recognized and respected symbol of achievement for the nation's elite retailers. Triversity congratulates these retailers on their outstanding accomplishments.

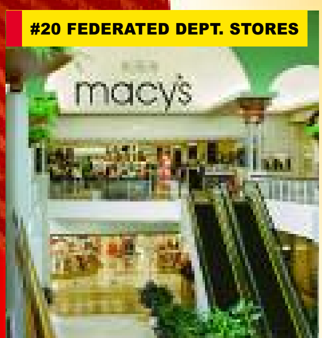
Triversity is the fastest-growing international provider of customer-centric retail solutions — solutions that focus on the "sell side" of retailing. Our solutions allow retailers to deliver a best-in-class customer experience across all channels, while helping them increase operating efficiencies and profitability. I'm proud to note that many of the Top 100 retailers are Triversity customers, and we appreciate our relationship with them.

With its listing of headquarters, annual revenues, earnings and store counts, the Triversity Top 100 is an invaluable guide to the best and brightest in the retail industry. I know you will use it throughout the year as a ready reference. Congratulations to all!

Best regards,

David Thomas
President & CEO
Triversity Inc.

#11 CVS



#20 FEDERATED DEPT. STORES


#12 AHOLD USA


#8 LOWES

#1 WAL-MART

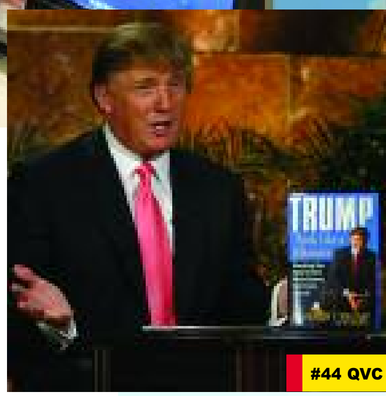
#9 SEARS

2004 returned wholly intact. Wal-Mart is far and away the leader, with volume four times that of runner-up Home Depot, followed by Kroger, Costco and Target, the latter having sold off its Marshall Field's and Mervyn's divisions since last year's ranking.

Adjusting its domestic expansion strategy, Wal-Mart is putting more stores into existing markets to block competitors from gaining footholds. While the plan may work in the long run, the new stores are taking sales away from older units and may be contributing to the weak same-store sales figures Wal-Mart has been displaying this year. Securities analyst Ulysses Yannas of Buckman, Buckman and Reid suggested as much when he said Wal-Mart's in-filling is "cannibalizing the comp stores with new stores that are not in the comps yet."

Word on the street has it that, should inflation rear its ugly head (and gasoline prices, in particular, spiral upward), Wal-Mart's customers will be the hardest hit. Perhaps, but there could be just as many consumers who, feeling the same pinch, will "trade down" to Wal-Mart to save a few bucks.

That could be the reason Wal-Mart plans to open 250 supercenters this year, about two-thirds of which are expansions of existing discount stores. Also in the works are



#44 QVC

In 2004, consumers bought big-screen TVs, tuned in to pitchmen (like Donald Trump) on QVC and enjoyed a healthy dose of drug store basics.

#6 ALBERTSONS

Triversity

TOP 100 RETAILERS

To the extent that it is available, STORES gathers performance data from the annual reports of publicly traded retail companies. The Top 100 companies for which STORES has made sales estimates are, in descending order: Meijer, H.E.B., Menard, Giant Eagle, Hy-Vee, CompUSA, Trader Joe's, Aldi, Wegman's, Raley's, Mervyn's, Roundy's Retail, Save Mart and Schnuck's.

Rank	Company *Comment*	Headquarters	2004 Revenues (000)	Y/Y Change	2004 Earnings (000)	Y/Y Change	No. of Stores	Y/Y Change
1	**Wal-Mart**	Bentonville, Ark.	$288,189,000	11.4%	$10,267,000	13.4%	5,189	5.8%
	Working on its image and addressing criticisms, but as a retailing dynamo, Wal-Mart is unassailable; been looking to expand in Asia, with a particular eye on India							
2	**Home Depot**	Atlanta	73,094,000	12.8	5,001,000	16.2	1,890	10.7
	With the country pretty much full of Home Depots selling as much merchandise as they can, growth coming through installations, services aimed at do-it-for-me consumers							
3	**Kroger**	Cincinnati	56,434,400	4.9	(128,000)	—	3,763	-0.3
	Leading supermarkets' charge into gasoline sales with more than 500 fuel centers, while tweaking multiple formats ranging from supercenters to fresh markets							
4	**Costco**	Issaquah, Wash.	47,145,712	10.8	882,393	22.4	442	5.2
	Year ending in August has been another good one, with 20 new stores opened and as many as 30 to bow next year, though spike in gasoline prices hurt fuel center margins							
5	**Target**	Minneapolis	46,839,000	-2.7	3,198,000	76.8	1,308	2.8
	Shed fading Mervyn's and sold Marshall Field's to May D.S. (pre-Federated merger); adding grocery, drug merchandise while trying to retain appeal to the trendy set							
6	**Albertsons**	Boise, Idaho	39,897,000	13.6	444,000	-20.1	2,488	7.9
	Displaying interest in alternative formats with acquisition of Bristol Farms, unveiling Renaissance drug stores and testing deep discount Super Saver grocery stores							
7	**Walgreen**	Deerfield, Ill.	37,508,200	15.4	1,360,200	15.7	4,582	8.4
	Spending about $1.5 billion this fiscal year -- which ends in August -- on new stores, technology and supply chain infrastructure in battle with CVS for drug store top spot							
8	**Lowe's**	Mooresville, N.C.	36,464,000	18.2	2,176,000	18.0	1,075	12.9
	Saying saturation isn't on horizon, march into urban areas continues -- 30 stores in Chicago by 2007, for example -- with 35% of new stores set for top 25 markets							
9	**Sears**	Hoffman Estates, Ill.	36,099,000	-12.2	($489,000)	—	1,970	0.0
	Union with Kmart precipitates merchandising moves like trying to drop Meldisco in shoe departments, putting Orchard Supply on the block and stocking Sears Essential units							
10	**Safeway**	Pleasanton, Calif.	35,822,900	0.8	560,200	—	1,802	-0.8
	The plain vanilla supermarketer wants consumers to know it sells the ingredients of life as it rolls out lifestyle stores with natural and organic foods and new ambience							
11	**CVS**	Woonsocket, R.I.	30,594,300	15.1	945,100	13.5	5,375	28.6
	Digesting purchase of all those Eckerd stores, 225 of which are slated to close this year; differentiation important as witnessed by move to carry Boots beauty care goods							
12	**Ahold USA**	Quincy, Mass.	27,500,000	2.0	N. A.	—	1,489	0.0
	Slow start to 2005 after shedding Bruno's and Bi-Lo chains, selling Tops Markets' c-stores and rectifying problems merging Stop & Shop and Giant-Landover divisions							
13	**Best Buy**	Richfield, Minn.	27,433,000	11.8	984,000	39.6	830	8.2
	Expanding its retailing of services, up to 50 standalone Geek Squad locations will be in operation by the end of next year, providing technical support for consumers							
14	**Kmart**	Troy, Mich.	19,701,000	-15.3	1,106,000	—	1,480	0.0
	Sears units have been getting attention in the merger aftermath, while Kmart has been making stores spiffier and dumping down scale elements in favor of Sears merchandise							
15	**Publix**	Lakeland, Fla.	18,600,000	10.4	819,400	24.0	850	6.1
	Southeastern grocery powerhouse growing north and west, but also diversifying with Hispanic format Publix Sabor, freestanding Pix gas stations and Crispers eateries							
16	**JCPenney**	Plano, Texas	18,424,000	3.6	524,000	—	1,079	0.2
	Now down to just its department stores and catalog operation, company started off 2005 with a Q1 bang and is using profits to retire debt and expense stock options							
17	**Rite Aid**	Camp Hill, Pa.	16,816,439	1.3	302,478	262.8	3,356	-0.8
	Rite Aid, still paying for financial hijinx and bad judgment of prior administrators, this spring moved back into pharmacy benefit management in deal with ProCare Rx							
18	**Gap**	San Francisco	16,267,000	2.6	1,150,000	11.6	2,994	-0.9
	Rejuvenation plans include new Gap remodel prototype, 200 new Old Navy units by 2007 and launch of Forth & Towne format in Chicago and NYC this fall							
19	**Delhaize America**	Salisbury, N.C.	15,839,882	3.3	254,113	39.0	1,523	0.5
	Making lots of moves, including acquisitions for its Food Lion and Hannaford divisions, unveiling Bloom by Food Lion and Sweetbay (formerly Kash 'n Karry) formats							
20	**Federated Dept. Stores**	Cincinnati	15,630,000	2.4	689,000	-0.6	459	2.0
	Acquisition of May Department Stores could be completed during current 3rd quarter as Federated steams along on strong apparel, jewelry and accessories sales							

N.A. – Not available

25 to 30 Neighborhood Markets, Wal-Mart's entry in the traditional supermarket category, and 30 to 40 Sam's Clubs.

Wal-Mart often is accused of harming the U.S. economy by engaging in offshore sourcing. While the company did buy $18 billion worth of Chinese goods last year, CEO H. Lee Scott counters that Wal-Mart also spent more than $150 billion to purchase goods and services from 61,000 U.S. suppliers.

For many reasons, however, the bloom is off the rose for Wal-Mart. It could be the long campaign of negative information — in political campaigns it's called mudslinging — by the United Food and Commercial Workers union and its organized labor allies. Or it could be self-inflicted wounds, such as the

#38 BJ'S WHOLESALE CLUB

#34 CIRCUIT CITY

Value retailers lure shoppers with bulk products and low prices, while electronics retailers draw them in with high-tech toys.

POWER PLAYERS

DRUG STORES

Beauty may be where the profit is, but wellness is where differentiation is found. Though the squeeze is on, pharmacy still defines the segment — to the tune of 63.2 percent of all sales, in the case of Walgreens.

Walgreens is the chain most on top of these trends, fighting a rear-guard action against pharmacy benefit managers picking off the most lucrative areas of prescription filling. Part of Walgreens' strategy is expanding its network of stores at a fast and furious pace, opening more than one store a day during its current fiscal year, which concludes next month. That will give Walgreens more than 4,800 locations, most of them in close proximity to thriving neighborhoods, making prescription filling convenient for those wary of the vagaries of mail-delivered medication.

Beauty care products have long been Walgreens' strong suit in the front-end, or non-pharmacy, business. The company pioneered the use of beauty consultants patrolling drug store aisles to assist consumers with their purchases.

In the wellness area, Walgreens has been testing patient consultation programs in New Mexico, Texas and Wisconsin in preparation for the new federal law requiring insurers providing Medicare drug plans to include medication consulting services for certain patients and conditions.

"We're looking at the potential there to expand services," says spokesman Michael Polzin. The company added to its wellness services this spring with the acquisition of Tulsa, Okla.-based D&T Medical, a provider of respiratory therapies and service and other medical equipment. Walgreens Home Care also operates facilities in eight other states.

Company	2004 Revenues (000)	Comparable-Store Sales	Sales per Store
Walgreen	$37,508,200	+10.9%	$8,136,032
CVS	30,594,300	+5.5	6,404,501
Rite Aid	16,816,439	+1.6	4,991,522
Longs	4,607,873	+0.6	9,783,170
Jean Coutu	4,096,138	+4.6	6,649,575

#7 WALGREENS

Triversity

TOP 100 RETAILERS

Rank	Company *Comment*	Headquarters	2004 Revenues (000)	Y/Y Change	2004 Earnings (000)	Y/Y Change	No. of Stores	Y/Y Change
21	**TJX**	Framingham, Mass.	$14,913,483	11.9%	$664,144	0.9%	2,224	7.9%
	HomeGoods hit the $1 billion sales mark in 2004 and after a successful test in Canada will be featured in side-by-side format at up to 40 new T.J. Maxx locations this year							
22	**Staples**	Framingham, Mass.	14,448,378	11.4	708,388	44.5	1,680	7.8
	Busy all over the place: Success selling office supplies in Kroger, Stop & Shop supermarkets; new concept unveiled in Montreal; first stores in Chicago; eye on China							
23	**May Department Stores**	St. Louis	14,441,000	8.2	524,000	20.7	1,190	5.9
	Limping into partnership with Federated after weak start to 2005 as same-store sales dropping 5.1% in Q1 and net income plummeting 46%; private labels particularly bad							
24	**Office Depot**	Delray Beach, Fla.	13,564,699	9.8	338,159	22.4	1,190	8.3
	Steve Odland moves from AutoZone into chairman/CEO office as company plays up environment-friendly approach and looks to expand business customer base							
25	**OfficeMax**	Itasca, Ill.	13,270,196	60.9	173,058	913.5	935	-4.1
	New structure: Office supply retailer merges with wholesale stationer Boise Office Solutions; old problems: falling margins, tough competition, disgruntled shareholders							
26	**7-Eleven**	Dallas	12,246,083	13.1	99,434	55.1	5,800	0.3
	Neither franchise squabbles nor turmoil among headquarters staff can deter international growth, including doubling presence in Mexico to 1,000 stores by 2010							
27	**Kohl's**	Menomonee Falls, Wis.	11,700,600	13.8	730,400	25.7	637	17.5
	Trying to right itself through better inventory management and introduction of more men's apparel; entering Florida this year with typical mass opening of stores							
28	**Meijer**	Grand Rapids, Mich.	11,500,000*	3.6	N.A.	—	163	3.2
	Supercenter operator finds itself in niche Kmart held, squeezed between trendy Target and EDLP Wal-Mart; fighting back with new store design, wider variety of goods							
29	**H.E.B.**	San Antonio	11,500,000*	8.2	N.A.	—	649	6.0
	Lionized as company Wal-Mart can't intimidate, H. E. Butt has long Texas roots and an ethnic merchandising strategy — on both sides of the border — that is the stuff of legend							
30	**Toys "R" Us**	Wayne, N.J.	11,100,000	-1.8	252,000	18.3	1,499	-0.1
	On the block since last August, Toys is going private after acquisition by equity firms Bain Capital and Kohlberg Kravis Roberts, and real estate developer Vornado							
31	**A&P**	Montvale, N.J.	10,854,911	0.4	(188,098)	—	650	0.8
	Christian Haub takes serious steps after decades of tinkering and tolerating incursion of competitors; changes include serious downsizing, consolidation of infrastructure							
32	**Winn-Dixie**	Jacksonville, Fla.	10,632,850	-3.6	(100,404)	—	1,076	2.8
	Filed for Chapter 11 bankruptcy protection February 21 after closing hundreds of stores; new CEO Peter Lynch has work cut out as Wal-Mart, Publix keep pressure on							
33	**SuperValu**	Eden Prairie, Minn.	10,549,478	0.0	446,303	0.5	1,549	4.5
	Concentrating on filling-in existing markets with aggressive store opening, remodeling campaign in discount divisions, though not ignoring traditional supermarkets							
34	**Circuit City**	Richmond, Va.	10,472,364	6.2	61,658	—	612	2.2
	Among US woes was dust-up with RadioShack over store names, hence more than 900 Canadian units run by InterTan subsidiary now called The Source by Circuit City							
35	**Limited**	Columbus, Ohio	9,408,312	5.3	637,272	9.2	3,779	-3.4
	No longer limited to apparel as accessories are showing strength; buys home fragrance manufacturer Slatkin (scented candles, room sprays, etc.) for Bath & Body Works							
36	**Dollar General**	Goodlettsville, Tenn.	7,660,927	11.5	344,190	14.5	7,320	9.3
	Raising the ante in pressing discount, grocery competitors by opening bigger market stores with more supermarket merchandise including perishables and frozen foods							
37	**Dillard's**	Little Rock, Ark.	7,528,600	-0.9	117,600	1,164.5	329	0.3
	One of a handful of traditional department store operators left in the business; shifting to higher price points, better brands and an upscale image to emphasize differentiation							
38	**BJ's Wholesale Club**	Natick, Mass.	7,375,301	10.2	114,401	11.2	155	3.3
	Efficient warehouse chain (We sell products long before we pay for them, says an exec.) is testing ProFood concept stores for foodservice businesses and restaurants							
39	**Nordstrom**	Seattle	7,131,388	10.6	393,450	62.0	181	1.1
	Upgrading infrastructure, particularly information technology, helped boost sales to $350/sq. ft. with gross margins higher than they've ever been, management boasts							
40	**Amazon.com**	Seattle	6,921,124	31.5	588,451	1,567.9	0	0.0
	Largest Internet retailer is as much an electronic mall as it is a retailer — leveraging technology wizardry that helped it grow so fast, but can it make money consistently?							

N.A. – Not available

forced resignation of board member Thomas Coughlin for alleged expense account abuse. Or, as Strategic Resources Group's Burt Flickinger has noted, it could be that when new and low-margin categories like groceries and gasoline are factored out, sales of Wal-Mart's core discount store merchandise categories actually have been shrinking.

Department stores have shown new life this year, even as dismantling and consolidation is taking place. In the biggest event, Federated is acquiring May, which only last year had purchased the former Target department store division operating under the Marshall Field's banner. Neiman Marcus Group has agreed to be acquired by private in-

RadioShack continues to experiment with new ways to reach out to customers.

POWER PLAYERS

SUPERMARKETS

The Great Atlantic and Pacific Tea Co. has as storied a tradition as any grocery retailer in the country, but the tale currently being written is one of survival. Apparently, A&P has concluded that it hasn't been very successful at selling groceries, so it might as well sell its stores, instead. Headquartered in Montvale, N.J., the company will celebrate its sesquicentennial in four years, if it lasts that long.

Though losses narrowed in the year ended February 25, the decision was made to sell the (mostly) profitable group of 200 Canadian stores, as well as 102 Farmer Jack and price-impact Food Basics stores in Michigan and Ohio. The company will eventually be reduced to operating in the metropolitan New York and Mid-Atlantic regions, with another 25 or 30 stores in and around New Orleans.

Company	2004 Revenues (000)	Comparable-Store Sales	Sales per Store
Kroger	$56,434,400	+2.1%	$14,973,308
Albertsons	39,897,000	+0.2*	16,264,607
Safeway	35,822,000	+1.5*	19,791,657
Ahold USA*	27,500,000	N.A.	18,468,770
Publix	18,554,486	+5.7	22,490,286
Delhaize America	15,839,882	+1.5**	10,427,835
H.E.B.*	11,500,000	N.A.	37,216,828
A&P	10,854,911	+0.1	16,699,863
Winn-Dixie	10,632,850	-5.9*	9,900,233
SuperValu	10,549,000	+1.0	17,437,153

N.A. — Not available   * Estimate   ** Includes sales at replacement stores

In its pre-World War II heyday, A&P helped define what the retail grocery industry would become — commodity merchants that evolved into the modern supermarket. The latest chapter began in the 1970s, when Germany's Tengelmann Group bought a controlling interest in the company — then, as now, struggling amid fierce competition.

Tengelmann now owns about 57 percent of A&P shares. Chairman and CEO Christian Haub is not so much looking at grocery selling as share value when he says of the store closings, "I am more confident than ever before that we are building a very strong financial foundation."

Triversity

TOP 100 RETAILERS

Rank	Company *Comment*	Headquarters	2004 Revenues (000)	Y/Y Change	2004 Earnings (000)	Y/Y Change	No. of Stores	Y/Y Change
41	**Saks**	Birmingham, Ala.	$6,437,277	6.3%	$60,858	-23.9%	386	2.7%
	Now that Southern chains McRae's and Proffitt's have been sold off, what's in store for the likes of Carson Pirie Scott, Herberger's, Parisian, Younkers and Bergner's?							
42	**Menard**	Eau Claire, Wis.	6,250,000*	11.6	N.A.	—	175	2.9
	Even less has been heard from eccentric founder-owner John Menard since IRS began to look into how chain compensated him and how he financed his auto racing team							
43	**Blockbuster**	Dallas	6,053,200	2.4	(1,256,100)	—	8,900	-1.1
	"Carl Icahn vs. the C-Suite Executives" is not one of the titles currently available, even though it is the sequel to "Blockbuster Almost Devours Hollywood (Entertainment)"							
44	**QVC**	West Chester, Pa.	5,687,000	16.3	760,000	-3.2	0	0.0
	Housewares and other home goods, jewelry and health & beauty care items carry the ball, along with some fashions, with new products driving the core business							
45	**AutoZone**	Memphis, Tenn.	5,637,025	3.3	539,893	5.3	3,483	8.2
	Highly leveraged company using cash on debt service rather than maintaining stores; we know what shareholder and director Ed Lampert did when that happened at Kmart							
46	**Foot Locker**	New York	5,355,000	12.1	293,000	41.5	3,967	9.9
	Slowing pace of growth after acquiring 360 stores, opening 457 new locations, remodeling/relocating 225 units last year; this year: 100 new stores and 257 remodels							
47	**Family Dollar**	Matthews, N.C.	5,281,888	11.2	262,685	6.1	5,466	8.6
	Faltering while expanding rapidly, even as it maintains major move into Midwest and Northeast urban markets; earnings dropped 9.9% in Q4 from prior year final stanza							
48	**Bed Bath & Beyond**	Union, N.J.	5,147,678	15.0	504,964	26.4	663	14.1
	Even with diversification into seasonal retailing with Christmas Tree Shops and Harmon health & beauty care, home goods still generate about half the company's volume							
49	**Giant Eagle**	Pittsburgh	5,100,000*	8.3	N.A.	—	215	-3.2
	Has been very aggressive with petroleum marketing — even precipitating a price war and drawing wrath of gas station owners — while diversifying in c-stores and eyeglass shops							
50	**Barnes & Noble**	New York	4,873,595	11.5	143,376	-5.5	820	-2.6
	While the Riggios muscle their way into the publishing end of the book business, sales associates' attitudes and latitudes are undercutting them at store level							
51	**RadioShack**	Fort Worth, Texas	4,841,200	4.1	337,200	13.0	7,000	-2.9
	New team members in top management CEO David Edmondson and CFO David Barnes have task of boosting price of stock, which bottomed out after Q1 results came in low							
52	**Hy-Vee**	West Des Moines, Iowa	4,650,000*	9.7	N.A.	—	221	0.9
	Keeps adding more supermarkets and expansions, relocations while also growing the number of fuel centers, pharmacies and drug stores and wine & spirits stores							
53	**Longs Drug Stores**	Walnut Creek, Calif.	4,607,873	1.8	36,560	22.8	472	0.4
	Plans to open 5-10 stores this year and remodel another 40 units; $110 million capital budget includes supply chain upgrade, enhanced pharmacy technology and better POS							
54	**Big Lots**	Columbus, Ohio	4,375,072	4.8	25,682	-70.2	1,502	4.9
	Even though treasure-hunting and penny-pinching consumers have made dollar and close-out stores the story of the year, Big Lots hasn't benefited as much as others							
55	**Ross Stores**	Pleasanton, Calif.	4,239,990	8.1	168,541	-25.3	639	12.5
	Operator of Dress for Less chain has launched a deep discount apparel format called dd's Discount aimed at families in the $30,000-to-$40,000 income range							
56	**CompUSA**	Dallas	4,175,000*	0.4	N.A.		225	-0.9
	June brought ribbon-cuttings at 17 CompUSA/Good Guys combo stores on the West Coast to unleash a broad range of technology, electronics and appliances							
57	**Jean Coutu Group**	Longueuil, Quebec	4,096,138	1.2	176,923	10.5	625	3.0
	Eckerd purchase for its US Brooks Pharmacy division transformed company, making it major player in two countries and precipitating use of US$ in financial statements							
58	**Pathmark**	Carteret, N.J.	3,978,500	-0.3	(308,600)	—	143	0.7
	Falling sales, increased competition and not very deep pockets meant shopping itself around; now that it has been taken private by wheeler-dealers, who knows what's next?							
59	**Borders Group**	Ann Arbor, Mich.	3,903,000	4.6	131,900	14.5	1,209	-1.3
	Mall-based Waldenbooks units becoming Borders Express in areas where Borders remodels superstores, but real growth coming overseas in UK, Australia and Singapore							
60	**Whole Foods Markets**	Austin, Texas	3,864,950	22.8	137,113	32.2	163	12.4
	John Mackey is pushing the right buttons for the organic crowd, foodies, urban tastes and, best of all, developers who want his stores as anchor to draw other tenants							

N.A. – Not available

vestment groups, Saks is divesting its regional department store divisions and Belk, once a welter of interlocking, family-controlled department store groups, is emerging as an aggressive-growth regional chain.

Dinosaurs they may have been labeled, but department stores aren't going away any time soon, even though as a segment they have lost $2.5 billion in sales to other retailers over the last eight years, according to market research firm NPD Group. "Even with the tough road ahead, there is still a place for department stores with a strong identity," says Margaret Gilliam, a former securities analyst who now heads her own consulting firm. "To survive, department stores just have to be special places again."

This is what Federated hopes to do through the acquisition of May Department Stores (not to mention more than 700 specialty stores in the bridal and formal wear arena). Federated had already made moves to streamline its offerings by rebranding all of its stores (except Bloomingdale's) as Macy's. Burdines, Lazarus, The Bon, Rich's, Goldsmith's are all gone.

The merger with May did not come cheaply, and Wall Street analysts have said that as many as 100 stores could be closed in malls where both Federated and May units serve as anchors. Both companies expect the $11 billion deal to close this fall; if complications arise, they have set August 2006 as the final deadline.

Saks Inc. has sold its Proffitt's and McRae's divisions to Belk and is making similar plans for its other regional department store groups, which have been

PETsMART is building loyalty by adding services to its product line-up.

POWER PLAYERS

HOME IMPROVEMENT

Home Depot has its hands full going head-to-head with Lowe's, but that hasn't deterred the Atlanta-based retailer from looking abroad for growth opportunities.

Most recently, the company was reported to be in takeover talks with Britain's Kingfisher, parent of B&Q, Europe's largest home improvement retailer. Kingfisher also has operations in China and owns French home center chain Castorama.

Home Depot has China plans itself, having created and filled the post of president of Home Depot Asia a year ago, although when and where stores will begin opening has not yet been announced.

Home Depot Canada now has more than 110 stores in nine provinces and a distribution arm based in Montreal. This year the company is opening smaller "neighborhood" stores, a concept borrowed from its Mexican subsidiary. The first of the 55,000-60,000-sq.-ft. Canadian units — about half the size of a traditional Home Depot — were opened in Vancouver and Toronto, with another 20 or so on the drawing board.

On the domestic front, the company had planned to build 175 stores in 2004 but cut the ribbon on only 159 — including the first of two urban units in Manhattan. This year it again plans to add as many as 175 stores, but will devote a large chunk of its capital budget to modernizing and remodeling older locations to improve lighting, widen aisles and introduce bolder signage and graphics.

Home Depot continues to roll out its effort to attract more contractors by providing a professionals-only desk in the stores. Designplace will be in place in 165 stores providing planning and decor services, and another 200 or so appliance departments will be installed.

Company	2004 Revenues (000)	Comparable-Store Sales	Sales per Store
Home Depot	$73,094,000	+5.3%	$40,652,947
Lowe's	36,464,000	+6.6	33,920,000

TOP 100 RETAILERS

Rank	Company / *Comment*	Headquarters	2004 Revenues (000)	Y/Y Change	2004 Earnings (000)	Y/Y Change	No. of Stores	Y/Y Change
61	**Trader Joe's**	Monrovia, Calif.	$3,800,000*	2.7%	N.A.	—	215	0.5%
	Low-key and un-hyped alternative to Whole Food's bombastic entry onto national supermarket stage, just the way the Albrecht brothers like to do business							
62	**Advance Auto Parts**	Roanoke, Va.	3,770,297	7.9	187,988	50.5%	2,652	4.5
	Current Wall Street darling among auto aftermarket retailers with its improving margins, favorable comps, 21% 5-year average sales growth and 85% 3-year income surge							
63	**Aldi**	Batavia, Ill.	3,750,000*	4.2	N.A.	—	779	4.4
	German-based chain — part of Albrecht family empire — stepping up US expansion of deep discount limited assortment stores carrying as few as 1,200 sku's in 15,000 sq. ft.							
64	**Stater Bros.**	Colton, Calif.	3,701,000	34.4	71,800	46.2	160	1.9
	Building a 2.5 million-sq.-ft. facility in San Bernardino, Calif. — 7 miles from current Colton headquarters — to serve as distribution center and new head office opening in fall 2006							
65	**Stock Building Supply**	Raleigh, N.C.	3,581,000	31.1	182,200	47.4	240	6.2
	U.S. subsidiary of British-based Wolseley expands through selection acquisitions, such as Davidson Industries, providing entrée to Indianapolis market; also bought Bellevue Building Supply and Gator Lumber							
66	**Neiman Marcus Group**	Dallas	3,545,559	14.4	204,832	87.4	37	0.0
	Changing hands as fiscal year ends this summer, with question being whether investment firm owners will maintain same standards of quality and luxury							
67	**Wegman's**	Rochester, N.Y.	3,500,000*	6.1	N.A.	—	86	1.2
	President Danny Wegman likes to think stores deliver a nearly telepathic level of customer service, and consumer surveys indicate he may be close to right							
68	**The Pantry**	Sanford, N.C.	3,493,085	27.0	17,553	52.6	1,361	8.1
	Expansion via acquisition continued this spring with purchase of D&D Oil, operator of 53 Cowboy c-stores in Georgia and Alabama, increasing store base by 4%							
69	**Michaels Stores**	Irving, Texas	3,393,251	9.8	201,809	13.5	1,012	4.7
	Arts, crafts and seasonal retailer hit 1,000-store milestone during year; art supply chain Aaron Brothers now over 160 units and ReCollections scrapbooking format is nearing 20							
70	**PETsMART**	Phoenix	3,360,000	12.1	171,100	22.6	726	12.9
	Pet services provide margin support and growth potential, as well as point of differentiation, as evidenced during weather-induced slow merchandise sales last winter							
71	**Raley's**	West Sacramento, Calif.	3,250,000*	1.6	N.A.	—	136	1.5
	A year after the prolonged labor dispute involving Kroger, Safeway and Albertsons units in Calif., Raley's and its Bel Air and Nob Hill units sign contract pact with UFCW							
72	**Mervyn's**	Heyward, Calif.	3,200,000*	-9.9	N.A.	—	257	-3.4
	Target sold slumping chain to private investors who brought in former Kohl's exec Rick Leto who has hands full trying to rebuild one-time high-flying challenger to JCPenney							
73	**ShopKo Stores**	Green Bay, Wis.	3,179,860	-0.5	43,338	10.8	360	0.3
	Parent of ShopKo and Pamida stores is testing drug store format ShopKo Express while being taken private by Minneapolis firm Goldner Hawn Johnson & Morrison							
74	**Williams-Sonoma**	San Francisco	3,136,931	13.9	180,087	14.6	552	7.8
	Sees 12% sales gain and 21%-24% earnings rise this year behind drive to raise margins; capital budget rise to $160 million to $180 million up from $101.5 million in '04							
75	**Dollar Tree Stores**	Chesapeake, Va.	3,126,009	11.6	186,001	4.7	2,735	8.8
	Newcomer on national dollar store scene has grown quickly via acquisition and opening strip center units; sports earnings performance that has increased 50% since 2000							
76	**84 Lumber**	Eighty-Four, Pa.	3,000,000	15.4	N.A.	—	465	2.6
	Privately-held and almost secretive firm avoids head-to-head confrontations with Home Depot and Lowe's by catering to professional contractors and serious do-it-yourselfers							
77	**Roundy's**	Pewaukee, Wis.	2,975,000*	4.0	N.A.	—	126	13.5
	Retailer/distributor has been shedding wholesale operations to focus on retail units in upper Midwest, though Rainbow acquisition in Minneapolis may be tough to digest							
78	**Luxottica Retail**	Cincinnati	2,892,712	27.8	386,857	20.9	5,400	68.8
	With Cole National's Pearle Vision stores and licensed department neatly tucked in-house, eyewear-maker's retail subsidiary has a lot of uncontested territory in which to operate							
79	**Burlington Coat Factory**	Burlington, N.J.	2,878,316	6.7	67,566	4.0	349	4.2
	Last Totally 4 Kids now a Super Baby Depot; Decelle stores now Cohoes Fashion; MJM Designer Shoe also grows; good sales in year ended 5/29/05 but results released too late for here							
80	**Casey's General Stores**	Ankeny, Iowa	2,810,425	20.6	36,753	0.8	1,337	0.5
	Midwestern convenience store operator continues aggressive growth via acquisition and store openings; closed 36 underperformers at its fiscal year in April, but has purchased 58 units since then							

N.A. – Not available

pulling down corporate financial performance and offsetting the positive results generated by the luxury Saks Fifth Avenue operation. Even SFA is paring underperforming stores, however, and it is not without executive scandal, this one involving alleged mishandling of vendor funds.

Now that JCPenney has unburdened itself of drug stores, the company is cleaning up its balance sheet and putting all its resources behind the department store and catalog operations. With the transformation set in motion, long-time chairman and CEO Allen Questrom has turned the reins over to Myron E. (Mike) Ullman III. The new JCPenney has been turning in some nice numbers already this year, showing strength in home goods, women's accessories and shoes.


#93 PEP BOYS

Penney's agenda includes a continued rollout of its freestanding Box 1 prototype.


#4 COSTCO

Company	2004 Revenues (000)	Comparable-Store Sales	Sales per Store
Wal-Mart	$288,189,000	+3.3%	$55,538,446
Costco	47,145,712	+10.0	109,386,800
Target	46,839,000	+5.3	36,983,024

POWER PLAYERS

VALUE RETAILERS

Costco executives pay lip service to operating in a competitive environment. The reality, however, is that no retailer has a customer base like Costco's.

Aside from a few areas where it might brush up against Sam's Clubs or Smart & Final Cash & Carry Warehouses, Costco doesn't really go head-to-head with a direct competitor the way Saks Fifth Avenue and Neiman Marcus or Lowe's and Home Depot do.

With some 330 locations, Costco generates much higher sales than 550-unit Sam's Club. The next-largest volume warehouse club, BJ's, carries about twice as many sku's as either Costco or Sam's.

The lack of competitive pressure allows Costco the luxury of defining itself by what it perceives to be customer preferences. Picasso prints, French wine and $200,000 pieces of diamond jewelry represent the trophy items in the company's "treasure hunt" merchandising approach. But it is the more pedestrian food items, appliances, health and beauty care products and apparel that keep the customers coming back regularly, as selections vary by brands, sizes and assortment from week to week.

Take beauty care, for example. Last month, Costco began selling private-label cosmetics through an alliance with Borghese cosmetics. If that sounds a little pricey, CEO Jim Sinegal is quick to remind anyone within earshot that the typical Costco shopper has an annual household income of more than $74,000. That's another reason the stores are filled with garments by Ralph Lauren, bags by Coach and Kate Spade (and sometimes Prada) and 50-inch plasma TVs.

Triversity

TOP 100 RETAILERS

Rank	Company *Comment*	Headquarters	2004 Revenues (000)	Y/Y Change	2004 Earnings (000)	Y/Y Change	No. of Stores	Y/Y Change
81	**Retail Ventures**	Columbus, Ohio	$2,739,631	5.6%	($19,448)	—	314	12.5%
	Schottenstein family-controlled parent of Value City stores and Filene's Basement is taking DSW Shoe Warehouse public with IPO but keeping majority position							
82	**Linens 'n Things**	Clifton, N.J.	2,661,469	11.1	63,142	-15.6%	492	11.8
	Big box, or as it prefers to be known, large-format housewares/home goods retailer plans to grow store network by 10% this year, offering alternative to Bed Bath & Beyond							
83	**Payless ShoeSource**	Topeka, Kan.	2,656,500	-0.2	(2,000)	—	4,640	-8.4
	Slumping sales and falling comps prompt a restructuring that includes shedding 700 stores, cutting expanses and shaking up c-suite; South American stores close, too							
84	**Berkshire-Hathaway Retail**	Omaha	2,601,000	12.5	163,000	-1.2	370	0.9
	Operating profits depressed by cost of remodeling and building new stores for furniture and home furnishings units; Helzberg, Ben Bridge and Borsheim jewelers doing fine							
85	**Harris Teeter**	Charlotte, N.C.	2,572,367	5.8	104,406	11.5	138	-3.5
	Having great success in private label program in produce, seafood and meat; this year spending more than $100 million on new store construction and capital improvements							
86	**Price Chopper**	Schenectady, N.Y.	2,550,000	1.0	N.A.	—	106	1.0
	Company, which has never lost a day to labor strife, anchors shopping centers, districts abandoned by the likes of Grand Union and Ames Department Stores in upstate NY, VT, MA, CT and PA							
87	**Belk**	Charlotte, N.C.	2,450,000	8.2	124,100	11.3	232	3.1
	Venerable Southern department store operator shows new signs of life with this year's acquisition of 22 Proffitt's stores and 25 McRae's units from downsizing Saks							
88	**Sports Authority**	Englewood, Colo.	2,435,863	38.4	34,150	108.7	392	2.1
	In first full year of Gart/TSA union, unseasonable weather hurt outdoor equipment sales, but that was offset by apparel sales, performance of remodels and cost controls							
89	**Home Shopping Network**	St. Petersburg, Fla.	2,382,200	6.8	179,600	-19.4	0	0.0
	Operating profit, not net earnings; survived December shake-up and remains building block for IAC, which added cataloger/e-tailer Cornerstone Brands in March							
90	**Charming Shoppes**	Bensalem, Pa.	2,332,334	2.0	67,242	65.5	2,221	-0.3
	Plus-size women's apparel specialist saw Lane Bryant perform particularly well, providing cash flow for strengthened balance sheet; this year: improve market share							
91	**Zale**	Dallas	2,304,440	4.2	106,473	—	2,235	0.0
	Multiple formats are a challenge to keep hitting on all cylinders but 173-year-old Bailey Banks & Biddle holding up well in repositioning from bridal store to total fine jewelry							
92	**Save Mart**	Modesto, Calif.	2,300,000*	4.5	N.A.	—	118	-4.1
	Doing what it can to keep up with competition: more fresh, frozen food in remodels, upgrading technology and POS systems, experimenting with coffee bars in stores							
93	**Pep Boys**	Philadelphia	2,272,896	6.5	23,579	—	595	0.0
	Auto service and repairs lag, while merchandise sales remain steady (even non-automotive wares) as AutoZone, Advance Auto, Munroe Muffler Brake keep heat on							
94	**Schnuck Markets**	St. Louis	2,250,000*	2.3	N.A.	—	101	1.0
	Slow growth after ill-advised acquisition of some A&P locations a few years back, but Craig Schnuck has maintained chain's loyal following in its home St. Louis area market							
95	**Tiffany**	New York	2,204,831	10.2	304,299	41.2	150	6.4
	Battling Overstock.com over knockoffs (or are they counterfeits?) while steadily growing domestic store base with new units in Naples, Fla., and Carmel-by-the-Sea, Calif.							
96	**Ingles Markets**	Asheville, N.C.	2,137,426	7.3	28,752	69.0	197	-0.5
	Enjoyed record earnings in last fiscal year, boosted by 6.7% same-store sales gain, though excitement over performance was tempered by SEC probe into lease accounting							
97	**Dick's**	Corapolis, Pa.	2,109,399	43.4	66,909	26.7	234	43.6
	Remerchandising Galyan to increase sporting goods content after spending '04 closing central office, re-signing acquired units, converting POS system, integrating warehouse							
98	**Weis Markets**	Sunbury, Pa.	2,097,712	2.7	57,191	4.8	192	0.5
	Stepped up promotional activity helped sales in perishable departments and kept going the string of 14 consecutive quarters with improved comparable-store sales figures							
99	**Abercrombie & Fitch**	New Albany, Ohio	2,021,253	18.4	217,489	6.0	787	12.4
	A&F on a roll, with Hollister's 250-plus stores boosting Q1 sales this year; Ruehl launched, featuring sportswear, denim and outerwear for men and women 21-to-35							
100	**Smart & Final**	Los Angeles	1,955,579	13.0	30,194	—	229	0.0
	Cutting costs and improving productivity by reducing out-of-stocks and tracking shopping patterns with upgraded inventory management systems that allow vendors to replenish on their own							

N.A. – Not available

About a dozen of the units are up and running, and plans call for as many as 75 over the next few years. It also has earmarked $2.4 billion to remodel stores for such projects over the next five years.

Penney is in the process of bolstering appeal to its core moderate-income customer base. "All the mergers taking place in retailing now are creating turmoil for the consumer, and we see this as being an even more important time to focus on and make an emotional connection" with middle-income customers, who form "the sweet spot of our business," Ullman told shareholders at the annual meeting in May.

JCPenney is also an industry leader in marketing house brands, which account for about 40 percent of its volume. This spring the company introduced three more private-label lines, including Nicole by Nicole Miller.

#35 LIMITED BRANDS

It's no secret that Limited Brands is boosting its bottom line with the sale of accessories.

Kohl's, which to many observers seems to be in the midst of a turnaround, has been scoring with women's accessories and menswear this year. The company is spending about $875 million on capital projects that include 75 new stores, a large number of which will open this fall in Florida, a new market for Kohl's. To support this Southeastern expansion, the company plans to open a new distribution center in Macon, Ga.

Dillard's, which has posted unimpressive financial results of late, is trying to reposition itself as an upscale retailer. Nordstrom, which already serves a higher-end clientele, is not altering its approach to expansion just because there may be

POWER PLAYERS RESTAURANTS

Ninety-seven percent of American adults patronize fast-food restaurants — 35 percent going at least once a week, according to ACNielsen research.

Though quick-serve and fast-casual restaurants are more service-oriented than traditional retailers (and therefore are not included in the Top 100 list), each of these Power Players generated revenues in excess of $2.3 billion in 2004.

To keep those customers coming back, McDonald's — the biggest fast-food operator of them all – continues to tinker with its menu. This is also a way to offer some healthier options, though nothing so disastrous as the McLean burger, the 1990s innovation McDonald's was bullied into by the food police.

Recent menu diversification efforts include the introduction of white-meat Chicken Selects, a major test of deli-style sliced meat sandwiches and the introduction of "premium" savory salads.

Apples are now offered as an alternative to french fries in kids' Happy Meals, and McDonald has been working for nearly three years to reduce — if not eliminate — trans fats in chicken products, desserts and frying oils.

"We're certainly selling more chicken, and we're selling more fish and we're selling more items all across the menus," says CEO Jim Skinner. He concedes, however, that burgers and fries "have been at the core of our menu, and I think will continue to be there for the long term."

Company	2004 Revenues (000)	Comparable-Store Sales
McDonald's	$19,064,000	+6.9%
Burger King	11,227,000	N.A.
Yum! Brands	9,011,000	+2.0
Starbucks	5,294,247	+10.0
Darden Restaurants	5,003,400	+4.6*
Brinker International	3,707,486	+1.5
Wendy's	3,635,400	-4.0
Outback Steakhouse	3,201,750	+2.7**
CBRL Group	2,380,947	+2.0
Jack-in-the-Box	2,322,000	+4.6

N.A. — Not available * Olive Garden restaurants only
** Outback Steakhouses only

POWER PLAYERS

NON-STORE RETAILERS

What retailer wouldn't want to be selling merchandise at a rate of 32 items per second? That's what Amazon.com achieved on its busiest day of the holiday season in 2004, the best year in the Seattle-based company's first decade of operation.

Yet Amazon is faced with the problem of having too many customers — or, viewed another way, not enough customers who shop frequently. When Amazon announced it was offering unlimited two-day shipping for a $79 annual fee, founder and CEO Jeff Bezos said, "the primary effort we hope to see from it is more frequency among the categories. It's about earning more of the business from current customers."

In the traditionally retailer-friendly fourth quarter, Amazon racked up sales of $2.54 billion, but banked only $149 million in profits (excluding a $244 million tax benefit stemming from prior-year losses).

Shipping costs have been a bugaboo for e-commerce businesses, and such costs were a major factor in depressing earnings. Amazon offered free shipping during the holidays, which boosted sales but also cost the company $6 million. Overall, Amazon lost $78 million on shipping costs for the quarter. The trend continued into Q1 this year, with shipping costs rising to $167 million, only part of which was paid by customers.

With rising fuel costs and other related expenses, Amazon is finding that the cost of delivering the merchandise is rising faster than the revenue from selling those goods.

Company	2004 Revenues (000)
Amazon.com	$6,921,124
QVC	5,687,000
HSN	2,382,334
PC Connection	1,353,834
PC Mall	1,157253

Bezos suggests all these costs are really investments in customers and the future, and that Wall Street analysts should not get so agitated about them. "If we take care of customers, the stock will take care of itself," he says.

some empty department stores soon. "We could take advantage of the growth opportunity, but we're not out to grow just for growth's sake," co-president Pete Nordstrom says. "We have to maintain quality and value."

The series of events that led up to the combination of Sears and Kmart remains a mystery to some, and the future shape and scope of the entity's stores is particularly clouded. Specifics are few and far between, in part because the man calling the shots, Edward S. Lampert, is a financial wheeler-dealer rather than a merchant or corporate manager.

Sears Holdings is upgrading both the merchandise and the real estate at Kmart, if only by stripping away the nameplate and replacing it with Sears Essentials. More than 400 locations have been earmarked for transformation, most of them smaller than a traditional Sears department store. The first 25 Sears Essentials units will open locations in Michigan, Illinois, California, Florida and Arizona that Sears ac-

#27 KOHL'S

quired from Kmart more than a year ago, well before the announcement of their merger.

Inside the box, Sears is doing things like booting established Kmart licensees and stocking the stores with the major appliances, and tools found in its department stores, including its own Kenmore and Craftsman labels.

Among the things that won't be in the Sears Essentials stores, at least for the time being, are popular Kmart brands like Joe Boxer and Martha Stewart, according to Chris Braithwaite, a Sears spokesman. "These are Sears stores and they will have Sears brands. We are looking at the best way to leverage the brands from both companies to determine which brands should be cross-promoted."

Because it is always willing to talk about employee wages and benefit packages, Costco has been portrayed as the "Good Retailer." For the most part, Target has been able to stay above the fray, even though it operates in pretty much the same non-union manner as Wal-Mart. For example, Target operates freely in California and New York City, where Wal-Mart is vilified and made to jump through hoops — before being rejected.

This year, riding a strong first-quarter performance, Target unveiled aggressive but single-focused expansion plans. "We have a great deal of growth in our future and no interest in expanding overseas" in the near term, Target chairman and CEO Robert Ulrich said at the company's annual meeting in May. Expansion plans include 600 new units to be opened over the next five years, which would give the company close to 2,000 stores. President Gregg Steinhafel said a quarter of the new stores would be Su-

POWER PLAYERS

APPAREL RETAILERS

Gap Inc. has long been the volume leader among apparel specialty stores, but being out in front means everyone can see what you're doing. When you stumble or slow the pace, steps to right yourself have to be quick and sure. That's the task facing Paul Pressler, the former Disney executive now nearing the end of his third year at Gap's helm.

One step being taken is a redesign of Gap division stores, unveiled in April at seven locations in greater Denver. Men's and women's departments are better delineated, a "white room" showcases seasonal accessories and about 30 percent of the selling area is devoted to denim.

This fall the company will raise the curtain on a fourth brand, Forth & Towne, with four stores in Chicagoland and one in New York City. The 8,000-10,000-sq.-ft. stores are targeted to women over the age of 35.

Capital spending at all Gap divisions is on the rise, from the $450 million spent last year to the $725 million budgeted for 2007. Old Navy will be a major beneficiary of the increased spending this year, with 75 new units coming on line and the introduction of some new merchandise categories, including maternity and plus sizes.

#18 GAP

Company	2004 Revenues (000)	Comparable-Store Sales	Sales per Store
Gap	$16,267,000	Flat	$5,407,912
MarMaxx*	10,489,478	+4.0%	7,319,943
Limited	9,408,312	+4.0	2,446,895
Ross Stores	4,239,990	-1.0	7,031,492
Burlington Coat	2,878,316	-0.3	8,416,129
Charming Shoppes	2,332,334	+1.0	1,048,711
Abercrombie&Fitch	2,021,253	+2.0	2,720,394
Amer. Eagle Outfitters	1,881,241	+21.4	2,147,535
AnnTaylor	1,853,583	+3.8	2,659,373
Talbots	1,697,843	+1.7	1,667,825

* TJX apparel division

POWER PLAYERS

DEPARTMENT STORES

#41 SAKS

In spite of Brad Martin's dreams and fondest hopes, the marriage of department stores Carson Pirie Scott, Proffitt's and McRae's to fashion-forward Saks Fifth Avenue never worked. Divorce talk began swirling several years ago, but the breakup did not start until this year. Rather than a simple spin-off, dissolution of the union is being done piecemeal. First to go were 47 McRae's and Proffitt's to Charlotte, N.C.-based Belk, whose empire will stretch from the Atlantic seaboard to the Mississippi River.

Unfortunately, an inappropriate mix of divisions is not all that ails Saks these days. The SEC announced it was looking into chargebacks by Saks, much as it had looked into the slotting allowances supermarkets charge suppliers. Chargebacks have long been a bone of contention between retailers and vendors, since the stores initiate the act of taking deductions for receiving defective goods, the wrong merchandise, undercounts or unwanted wares.

On its own, Saks announced in May that it had bounced three executives (including Martin's brother) after an audit committee turned up irregularities in the way the company handled markdown money from vendors.

And just to keep the pot boiling, enigmatic Mexican billionaire Carlos Slim Helu recently increased his stake in Saks to 13 percent, making him the company's second-largest shareholder. Helu owns retail chains in Mexico as well as CompUSA in this country and has had fluctuating but significant investments in Circuit City, including a tentative offer to take the company over.

As for Martin, he was informed by the board of directors that his bonus was being cut — and maybe eliminated — due to the "quality of communication with the board."

Company	2004 Revenues (000)	Comparable-Store Sales	Sales per Store
Sears	$36,099,000	N.A.	$18,324,365*
JCPenney	18,424,000	+0.9%	17,090,909
Federated	15,630,000	+2.6	34,427,312
May	14,441,000	-2.4	12,481,417*
Kohl's	11,700,600	+0.3	19,865,195
Dillard's	7,528,600	-1.0	22,918,112
Nordstrom	7,131,388	+8.5	39,618,822
Saks	6,437,277	+5.3	16,895,740

N.A. — Not available   * Includes significant number of specialty stores

perTargets, traditional discount stores with a full supermarket attached.

Shakeouts continue to reverberate through the supermarket segment. One-time power player Winn-Dixie was forced to file for bankruptcy court protection; Ahold USA sold its Bi-Lo and Bruno's chains to private investors, has been downsizing the Tops Market operation and merged Giant Food into Stop & Shop. Delhaize America streamlined its Kash n' Karry chain and changed its name to Sweetbay, while rolling out a new format called Bloom, by Food Lion. A&P is selling its Canadian stores and two U.S. chains in the Midwest; Yucaipa Cos. has taken Pathmark private, and Safeway is facing the prospect of more turmoil at its Dominick's chain in greater Chicago.

Much of the upheaval in supermarketing can be attributed to Wal-Mart's charge across the landscape, skimming the price-sensitive consumers and the bulk commodity buyers. Grocery stores have learned to combat this through a combination of merchandising around Wal-Mart's price-driven approach and expanded offerings — both food and non-food — that are not available at Wal-Mart.

But just as the food retailers are rolling out solutions to the Wal-Mart problem, up comes Whole Foods Markets, cutting a swath through upscale neighborhoods and communities with its broad selection of natural, organic, exotic and extremely well-displayed goods. Nibbling at the edges are the specialty food stores — the same ones that were described as "gourmet" a few years ago — such as Balducci's, Oakville Grocery and Andronico's.

If that weren't enough competition for the traditional su-

THE ECONOMY — GROWTH IS STRONG, BUT INFLATION COULD DAMPEN THE CELEBRATION

The economy is growing. Inflation may be lurking in the shadows, but it hasn't made its presence known. Incomes are rising and, not surprisingly, so is consumer spending. That can't be bad news for retailers and the economy in general, since consumer spending accounts for nearly 70 percent of the country's economic activity.

Gasoline prices, the potential bursting of the housing bubble and continuing downsizing by industry are among the factors that could dampen consumers' appetites for spending. "Consumers are not euphoric over the economy, but confidence is slowly improving," says Lynn Reaser, chief economist for the Investment Strategies Group at Bank of America. "If we look at home, auto and general retail sales, consumers seem even more optimistic than suggested by the confidence surveys."

Inflation, however, is the bugaboo that most concerns Federal Reserve chairman Alan Greenspan, the Federal Reserve governors and — as a result — a legion of economists, retailers and other interested parties.

"For the first time, we are starting to see some hint of inflation," says Jim Sinegal, Costco's chief executive. "There is a hint of inflation in price increases from suppliers because freight costs have gone up."

Whatever inflation there may be has not shown up at Costco's cash registers yet, but Sinegal is still cautious. "So far, we've seen the numbers look pretty good," he says. "We haven't seen a big fall-off in business."

While the rise in income is a positive sign for the economy, it also indicates that labor costs are rising, which could put upward pressure on prices. That, in turn, could trigger a spiral of wage hikes and rising prices.

The government revised its economic growth rate figure for the first quarter of 2005 from the preliminary estimate of 3.1 percent to an annualized rate of 3.5 percent.

"This is the eighth quarter of above-average economic growth — and that's a pretty good track record," says Ken Mayland, an economist with ClearView Economics in Pepper Pike, Ohio. One result, he adds, is that there is "no question but that the Fed is going to continue lifting the Fed Funds rate" to keep inflation out of the picture without interfering with the nation's economic growth.

That's another positive development for retailers, particularly specialty stores, which enjoyed a strong spring season and headed into the summer with high expectations.

"I think that a lot of retailers are seeing very, very strong shopping levels in their stores," says Britt Beemer, head of Charleston, S.C.-based America's Research Group. "I think they are encouraged by those numbers in a big way."

The shoppers' boost to the economy could continue, some observers feel.

Retail sales "were strong anywhere you looked," says Richard Yamarone, chief economist at Angus Research. "This says that the second quarter is starting out, at least in the consumer sector, on very positive footing."

The strong performance by specialty stores was part of an overall show of strength by all retailers during April, when the U.S. Department of Commerce reported that sales increased 1.4 percent. That was the largest jump in six months and was generally seen as an emphatic reversal to what Greenspan described as a "soft patch" that the national economy experienced the month before.

The Federal Funds rate is currently 3 percent, but is expected to rise by the end of the year. Forecasts for year-end rates range from 3.725 to 4.25 percent. Higher rates mean it will be more expensive for consumers to purchase on credit — hence a possible downturn at the retail level.

permarkets, along come price-impact grocers like Save-A-Lot and operations like Trader Joe's, offering quality goods in limited assortments at very attractive prices.

The big grocery chains are responding in diverse ways. Kroger, for example, is working on a number of different formats, including fresh markets heavily focused on such things as perishables and prepared foods, to marketplace stores with broadened offerings of non-food and general merchandise items, almost like undersized supercenters.

Albertsons is taking a head-to-head approach, testing a deep-discount grocery format in Texas, buying the Bristol Farms specialty food stores in Southern California and unveiling Renaissance, a new drug store concept.

Everybody, it seems, wants to run a pharmacy, so competition will be heating up for the handful of major players in retail's drug store segment. Walgreen is sailing along at its rapid-growth pace, siting its stores judiciously and counter-merchandising against discount and grocery competition. Thanks to its purchase of 1,500 Eckerd units a year ago, CVS has more stores than Walgreen but operates in a more constricted territory with a store base that is much more varied. Jean Coutu, the Canadian-based parent of Brooks Pharmacy in Warwick, R.I., bought the Eckerd stores CVS didn't and is now a national player on both sides of the border. STORES

David P. Schulz, a New York-based writer and editor, reports on retailers for several publications.

Triversity

TOP 100 RETAILERS COMPANY INDEX

COMPANY	HEADQUARTERS	RANK
7-Eleven	Dallas	26
84 Lumber	Eighty-Four, Pa.	76
A&P	Montvale, N.J.	31
Abercrombie & Fitch	New Albany, Ohio	99
Advance Auto Parts	Roanoke, Va.	62
Ahold USA	Quincy, Mass.	12
Albertsons	Boise, Idaho	6
Aldi	Batavia, Ill.	63
Amazon.com	Seattle	40
AutoZone	Memphis, Tenn.	45
Barnes & Noble	New York	50
Bed Bath & Beyond	Union, N.J.	48
Belk	Charlotte, N.C.	87
Berkshire-Hathaway Retail	Omaha	84
Best Buy	Richfield, Minn.	13
Big Lots	Columbus, Ohio	54
BJ's Wholesale Club	Natick, Mass.	38
Blockbuster	Dallas	43
Borders Group	Ann Arbor, Mich.	59
Burlington Coat Factory	Burlington, N.J.	79
Casey's General Stores	Ankeny, Iowa	80
Charming Shoppes	Bensalem, Pa.	90
Circuit City	Richmond, Va.	34
CompUSA	Dallas	56
Costco	Issaquah, Wash.	4
CVS	Woonsocket, R.I.	11
Delhaize America	Salisbury, N.C.	19
Dick's	Corapolis, Pa.	97
Dillard's	Little Rock, Ark.	37
Dollar General	Goodlettsville, Tenn.	36
Dollar Tree Stores	Chesapeake, Va.	75
Family Dollar	Matthews, N.C.	47
Federated Dept. Stores	Cincinnati	20
Foot Locker	New York	46
Gap	San Francisco	18
Giant Eagle	Pittsburgh	49
H.E.B.	San Antonio	29
Harris Teeter	Charlotte, N.C.	85
Home Depot	Atlanta	2
Home Shopping Network	St. Petersburg, Fla.	89
Hy-Vee	West Des Moines, Iowa	52
Ingles Markets	Asheville, N.C.	96
JCPenney	Plano, Texas	16
Jean Coutu Group	Longueuil, Quebec	57
Kmart	Troy, Mich.	14
Kohl's	Menomonee Falls, Wis.	27
Kroger	Cincinnati	3
Limited	Columbus, Ohio	35
Linens 'n Things	Clifton, N.J.	82
Longs Drug Stores	Walnut Creek, Calif.	53
Lowe's	Mooresville, N.C.	8
Luxottica Retail	Cincinnati	78
May Department Stores	St. Louis	23
Meijer	Grand Rapids, Mich.	28
Menard	Eau Claire, Wis.	42
Mervyn's	Heyward, Calif.	72
Michaels Stores	Irving, Texas	69
Neiman Marcus Group	Dallas	66
Nordstrom	Seattle	39
Office Depot	Delray Beach, Fla.	24
OfficeMax	Itasca, Ill.	25
Pathmark	Carteret, N.J.	58
Payless ShoeSource	Topeka, Kan.	83
Pep Boys	Philadelphia	93
PETsMART	Phoenix	70
Price Chopper	Schenectady, N.Y.	86
Publix	Lakeland, Fla.	15
QVC	West Chester, Pa.	44
RadioShack	Fort Worth, Texas	51
Raley's	West Sacramento, Calif.	71
Retail Ventures	Columbus, Ohio	81
Rite Aid	Camp Hill, Pa.	17
Ross Stores	Pleasanton, Calif.	55
Roundy's Retail	Pewaukee, Wis.	77
Safeway	Pleasanton, Calif.	10
Saks	Birmingham, Ala.	41
Save Mart	Modesto, Calif.	92
Schnuck Markets	St. Louis	94
Sears	Hoffman Estates, Ill.	9
ShopKo Stores	Green Bay, Wis.	73
Smart & Final	Los Angeles	100
Sports Authority	Englewood, Colo.	88
Staples	Framingham, Mass.	22
Stater Bros.	Colton, Calif.	64
Stock Building Supply	Raleigh, N.C.	65
SuperValu Retail	Eden Prairie, Minn.	33
Target	Minneapolis	5
The Pantry	Sanford, N.C.	68
Tiffany	New York	95
TJX	Framingham, Mass.	21
Toys "R" Us	Wayne, N.J.	30
Trader Joe's	Monrovia, Calif.	61
Walgreen	Deerfield, Ill.	7
Wal-Mart	Bentonville, Ark	1
Wegman's	Rochester, N.Y.	67
Weis Markets	Sunbury, Pa.	98
Whole Foods Markets	Austin, Texas	60
Williams-Sonoma	San Francisco	74
Winn-Dixie	Jacksonville, Fla.	32
Zale	Dallas	91

Deliver a Great CUSTOMER EXPERIENCE.

Increase Your OPERATING PROFITS.

Only Triversity offers retailers customer-centric solutions that enhance the customer experience *and* boost the bottom line.

Triversity solutions are changing the way retailers sell to their customers while helping stores improve their operating efficiencies. With Triversity's suite of Customer-Centric Solutions for Retail, you can deliver a superior customer experience across multiple channels, at all times.

Retailers around the world run their business on Triversity solutions — one reason why Triversity is the fastest growing international provider of customer-centric retail solutions. Our portfolio of products includes Enterprise and Client/Server POS, Labor Management, POS Loss Prevention, Sales Audit, Customer and Promotional Analytics and Reporting, and a host of other solutions that can transform your retail operations.

Triversity Customer-Centric Solutions for Retail: they're the foundation for the new era of customer-focused retailing. Learn how to put the power of Triversity solutions to work for you. Contact Triversity today.

Triversity™

Customer-Centric Solutions for Retail

www.triversity.com
888.287.4629 x 295