

CHAIN STORE AGE[®]

NEWS AND ANALYSIS FOR RETAIL EXECUTIVES

AUGUST/SEPTEMBER 2010

THINK FORWARD

IN A RACE WITH CHANGE

Retail is being hit with a wave of game-changing technology in the form of more than 9 million smartphones. As the act of shopping undergoes sweeping transformation, we will experience more change in the next five years than we have in the past forty.



A STATE OF THE INDUSTRY REPORT FROM
InterbrandDesignForum

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MOBILIZING FOR THE FUTURE

Retailers face pressure at both ends. Digital demands investment, while brick-and-mortar won't thrive without dramatic change.

In the global changeover from old technology to new, it's already the second inning, and retail is behind.

First there was e-commerce. Brick-and-mortar retailers rushed to launch websites to keep up with their competitors, but failed to integrate them. As store sales began to falter along with the economy, merchants rallied to their online channels. Improved online experiences helped e-commerce speed along as the industry's growth engine.

However, just as retailers are learning how to enrich the online experience with customer reviews, videos, advanced rich media and social commerce tactics—but before they've had a chance to de-silo and fully develop—mobile has become the new online. Accessing the Internet via smartphone has exploded in popularity. Almost one-third of American consumers already use their mobile devices for shopping.

Our rapid adoption of technology is remarkable. Behaviors we never thought would change are changing—or have already changed. The “paperless world” predicted decades ago was considered a myth, until now. The confidence we imbued in a

“paper trail” has been almost seamlessly transferred to technology. Who knew we'd prefer airline kiosks, GPS systems and e-books? We have unlearned patience in this instant world. “Wait” is a four-letter word. Neither do we credit authority, instead putting our faith in strangers. We trust online reviews from fellow consumers and bloggers rather than the seals of approval from legacy institutions.

While businesses have always dealt with word of mouth, social media has amplified and accelerated it to such an extent that no entity is in control of its own message. The opinions of millions are immediate and far-reaching, giving the consumer unprecedented scale. As a result, businesses are faced with managing, not customers, but two-way customer relationships. And relationships are much more challenging.

There's a lot of catching up to do. It starts with recognizing and enabling the intra-dependency of all channels—instore, catalog, e-commerce, social and mobile. The effort will require a balance of investment in two areas: the creation of brand experiences for digital and the conceptual renewal of the physical store so that it adapts to the behaviors going on outside it.

THE CONVERGENCE OF SOCIAL MEDIA, E-COMMERCE, BRICK-AND-MORTAR AND MOBILE ARE CREATING A NEW BLENDED REALITY.

Shoppers have long viewed multi-channel retailers holistically. But retailers don't view themselves that way. They still see their channels as distinct from one another. The first order of the day, therefore, is to embrace and operationalize the holistic approach demanded by consumer behavioral trends.

What will it mean for the store environment now that shopping has become decentralized and can take place anywhere? The seductive mobile channel with its high screen resolution, high-quality optics and geo-location lets users enjoy dynamic content, bar-code recognition and real-time, location-specific data. However, a multi-channel world needs an anchor. The store is destined to become more and more important as the "hub" of experiential shopping.

The sweeping transformation of shopping effectively frees the store from traditional constraints, such as the old notion of just making a sale. Today, a sale is merely the foundation upon which to build a relationship. And if a retail brand thinks of itself as having a reason for being beyond the transaction—for instance, as an immersive, educational or exploratory encounter—it could emerge as a fun and sensory-laden local phenomenon, the ultimate brand experience.

The race is on to create exciting stores, develop mobile strategies, address emerging shopper behaviors, improve the customer experience across channels, attract loyal shoppers and increase brand value. Pull up your Starbucks app and order a latté. We've got work to do.



M-COMMERCE IS SET TO EXPLODE

Industry analysts predict that hundreds of retailers with e-commerce channels will have m-commerce platforms up and running by year's end. According to industry experts, Black Friday is the preferred deadline for launch, since PayPal recorded a 140% spike in mobile payments on that date last year. Mobile commerce is expected to increase by up to 300% by the end of 2010.

PLANET OF THE APPS

By early 2010, app usage was significant. Apple's iTunes was in the lead with over 160,000. Technology giant Cisco predicts there will be 1.5 million apps worldwide by 2013. Currently, there are 35 billion wirelessly connected devices, nearly five per person on Earth. By 2013 there will be one trillion, or 140 devices per person, as more wireless devices emerge for navigation, media, gaming, books, medical monitoring, utility meters, etc.





LISTEN, SHARE, INVITE. SUCCESS IS ABOUT RELATIONSHIPS.


Shoppers are expected to order \$2.2 billion worth of goods from mobile devices this year, \$1 billion more than last year. So there's immense pressure to jump into the broadband ecosystem with a mobile app for fear of losing customers who want to "shop now, shop anywhere."


But before retailers throw development time and money at the increasingly crowded and complex landscape of digital, it's imperative they listen carefully to what their customers want. Otherwise apps will go the way of early e-commerce, a great idea plagued by needless complexity.


Listening to customers, never one of retail's strengths, is the central survival skill of the 21st century. Without it, relationships don't happen. Listening and a clear, simple brand proposition delivered in a unique way are the timeless disciplines behind commercial success. Few businesses have mastered both and until they do, they can't expect to connect through the channel noise.


 **THOSE SHINY THINGS THE KIDS HAVE** Smartphone ownership increased 40% between 2008 and 2009. By 2011, 99% of all mobile phones will be data capable. By the end of 2014, the number of mobile devices on 3G networks is expected to soar to 81%. And 4G networks are already rolling out.

 **MOBILE PHONES AS INSTORE SHOPPING DEVICES** 29% of Americans already use their mobile device when shopping. Shoppers who use the device instore are 6% more likely to make an instore purchase.

 **NEARLY 1 IN 3 AMERICANS IS SHOPPING ONLINE** E-commerce continues to build momentum as broadband access increases. Multi-channel customers are more engaged and spend on average 50% more than single channel consumers.

 **THE SHOPPING JOURNEY BEGINS ONLINE** 42% of shoppers spend more than half of their shopping time doing online research. 89% of consumers making an instore purchase have conducted online research prior to the purchase.

 **CONSUMER RECOMMENDATIONS ARE THE MOST CREDIBLE FORM OF ADVERTISING** Yet 73% of online retailers have yet to incorporate any kind of reviews into their e-commerce sites.

 **ONLINE SENDS SHOPPERS TO THE STORE** For high consideration items, shoppers are two times more likely to make the purchase instore versus online, because of the need to physically evaluate. 45% of consumers who research online buy other products in addition to the ones they research.



SHARE THIS: IT'S NOT ABOUT THE TECHNOLOGY

The lesson for retail brands: It's not about offering the newest widget. It's about your ability to connect to your customers.

Unlike the media created 50 years ago, the Web wasn't intended for commercialism. Its purpose was to improve communications among scientists by connecting them together. Now the wireless world belongs to consumers who've turned the old media model on its head. Marketers need to earn their place in this new world through the exchange of ideas and shared experiences.

WHAT DIGITAL INNOVATION IS ABOUT

Access and Awareness. Now that consumers have the power to access what seems like an infinite amount of information from previously impossible-to-access sources, they are taking full advantage of it to make better decisions.

Advocacy. Word of mouth, good or bad, is nothing new to retailers. Social media allows it to be immediate and far-reaching. Complaints go around the world in an instant. And when positive, word of mouth is a powerful generator of goodwill.

Connections. People love sharing and "friending." Becoming friends online is a bit different than in person. Online it means we're curious about one another and willing to pay attention. But it's still just as rude to try and sell something to a friend.

Community. Unbound by time or space, online is a virtual meeting space where people can share data, common interests and passions. By listening and responding thoughtfully, we earn our place in the community. Meaningful relationships develop based



SHOPPING AS A SOCIAL EVENT

Shopping has always played into our social instincts. If all things appear equal between two stores, we'll choose the one with the most shoppers inside. It seems the thing that attracts people most is other people. We trust the crowd. In fact, Facebook is now sending more visitors to news sites than Google.

That same instinct is behind the evolution and adoption of digital social shopping tools. Today you can shop directly through Facebook and other social media sites. For example, Target's fan page allows you to "shop your look," Nine West has a "fanshop," and Avon's Mark has a full-fledged Facebook "shoplet."

Instant show-and-tell devices, like the instore Diesel cam, allow shoppers to take pictures as they try on outfits, post them online and ask their friends for their opinions.

Almost every city has its own Groupon offering-of-the-day, and if a certain number of people sign up for the offer, the deal becomes available to all.

A mobile visual product search app called SnapTell lets you take a picture of the cover of any CD, DVD, book or video game and have its consumer ratings and pricing delivered to your smartphone screen—again taking advantage of the opinions of the group.

The RetrovoQ app allows you "to feel like you're shopping for electronics with friends, making the task simple and fun." You Tweet the make and model of an electronics product and receive buying advice within seconds.

on shared values, which applies to brand/consumer relationships just as it does to the interpersonal kind. Once the relationship is established, consumers expect to share in the co-creation of offerings.

These new abilities, behaviors and expectations mean that retail brands will succeed only if they deal open-handedly, providing transparency in everything from social responsibility to owning up to mistakes. Trust is fragile.

People also demand authenticity from their favorite brands. That is, the feeling of character, an aesthetic quality, a sympathetic vibe between consumers and the objects of their desire that allows for attachment. These dynamics have brought etiquette back to selling. Rather than shout their wares, brands must seek permission to speak and then only along the channels allowed by the consumer.

"People are the next revolution. Etiquette and understanding how to navigate this human Web are your best bets at finding, retaining and growing communities of customers." —Chris Brogan, social media expert.



PODCAST:

Let's Talk: We interview retailers about their social strategies

<http://www.designforum.com/soi2010>



THE PARENT TRIBE: **MILLENNIALS**

Consumers born after 1980 (18- to 29-year-olds) are different.

The sheer size of Generation Y, known as Millennials, makes them a serious generational force to be reckoned with. By most counts, there are about 70 million of them, and they're rapidly taking over from the 76 million baby boomers who are now pushing 60. They're making an impact in the workplace, the community, the family dynamic and soon enough, the economy. As their influence begins to ripple through the marketplace, retailers that appeal to families will need to evolve their messages.

Millennials have a distinctive mindset. They cherish their individuality, attested to by the fact that the majority have one or more tattoos. Yet they feel secure enough to identify strongly with a larger group. An impressive 77% put raising a family at the top of the list of objectives that are essential or very important—even more than their parents' generation, of which 59% put family topmost.

Although Millennials are not yet the prevailing parenting cohort, they soon will be—34% of today's

18- to 29-year-olds already have children, and the majority of those remaining intend to become moms and dads in the future.

As the first generation of parents who grew up with the Internet, Millennials embrace technology as a fundamental part of existence and take digital advances in stride, having no concept of the way things used to be. They are the driving force behind social networking sites, including those for their pregnancies and babies.

Their attitude toward privacy is different, too. A recent explosion of mom blogs and an impressive number of dad blogs point to this generation's desire to publicly share plain and honest truths about their challenges. They seek child-rearing advice, purchasing information and opinions from a large online network of friends. They also see themselves as influencers on life issues and purchase decisions, offering their own opinions.



LIFE OUTSIDE THE TECH BUBBLE: THE LOW-INCOME SHOPPER

America's 50 million low-income consumers will probably not be buying apps for their iPhones, or expecting businesses to listen and respond to their needs. But retailers are adopting technology to help serve them, as well as other value-minded consumers. CashAmerica, a store for pawn loans and cash advances, offers payday loans online. To customize the retail experience to its shoppers' lifestyle, it is testing instore access to Craigslist. Similarly, Fred's, a small-format value store whose slogan is "It's my store and I'll give it away if I want to," is adding a pharmacy to 300 of its 600 stores. Given the 9.5% unemployment rate and an economic outlook that's better than last year but still uncertain, U.S. consumers continue to spend, but cautiously. In response, Big Lots! and Dollar General have improved the store experience through redesign. Family Dollar is investing in technology to make it easier for shoppers to use food stamps and credit cards. Walmart continues to evolve its environment to serve low-income shoppers as well as other value-minded consumers. At the same time, extreme value players need to stay true to their low-income shoppers who enjoy the feeling of being preferred.



Because this generation has been marketed to since birth, they resent advertisers' attempts to infiltrate their lives and can see through insincere commercial messages. Any retail brand hoping to convert them to advocates will need to gain trust through the sharing of useful information and true utility.

Interestingly, although they purchase electronics that other groups would categorize as luxuries, such as the iPad, Millennials consider themselves "poor" and as a result they are very price conscious.

Brands associated with Millennials (besides Apple and Red Bull) are those that reflect their values. Target plays in the right zone. It is philanthropic and socially responsible, offers earth-friendly baby and household products, and is affordable and stylish. The retailer's advertisements share a sense of fun and are filled with the kind of people Millennials like.

Needless to say, these young working parents are always online, moving between email, Facebook, Outlook, parent blogs and often a celebrity news site. Mobile apps are integrated into their daily life, and Target has a highly rated one. It provides a bar-code scanning option for more product information. Beyond price, it offers customer reviews and local availability. Best Buy is also doing it right for Millennials. It offers social shopping on Facebook and the ability to pay by smartphone.

Leading the way for all demographics, Millennials are teaching retailers how to engage—it's all about how the customer wants to interact. By offering shoppers ways to individualize and personalize their use of the store and the messages they opt in for, retailers have a greater chance of seamlessly connecting to these customers instore and out.



VIDEO:

Millennials: What's the Connection?

<http://www.designforum.com/soi2010>



PUTTING OUR HEADS IN THE CLOUD

As shoppers demand anywhere-anytime access to a “cloud” of Web-based retailers, companies need to know where and how to connect.

The immediacy and multiplicity of digital has turned the path to purchase into a seeming labyrinth. Untethered from TV, radio and newspapers and floating in a cloud of always-on technology—so tantalizingly held in the very hands of its target customer—brands are left wondering where to connect and certainly how. There appear to be myriad touchpoints, but when and why are they accessed? In what order?

For the consumer whose life is integrated with technology, few shopping events are unconnected from social sites, mobile apps, blogs, calls, consumer reviews, group coupon notices, news and entertainment, music, games, photo uploads and plain old emails—all customized by the user according to their wants.

Seeing an opportunity to leverage the new behavior, Macy's began helping its apparel customers with what they wanted most, fashion editing. It designed a “fashion challenge” game for the website and extended it into the stores through merchandise that mirrors the online content. A microsite called

Fashion Director showcases hot items as well as fun celebrity-studded how-to videos. Macy's was also one of the first retailers to create an app for the iPad by turning its catalog into a fashion show. A sleek Facebook fan page lets customers “shop the trends” and sign up for events.

Rather than attempt to compete with their media choices or change their behavior, retailers need to find a way to be part of what customers are already doing. Digital innovation requires a strategy to:

- Socialize and personalize offers for your customers
- Better integrate your channels: e-commerce, instore, catalog, mobile
- Offer relevant information consistently
- Commit to an ongoing two-way conversation

The retailers who take the time to find and invest in the most meaningful touchpoints in the cloud will be rewarded with additional store trips and more useful insights.

INTRA-CHANNEL BLUR

Surveys show that more than three-quarters of consumers use two or more channels to browse, research and purchase products, with one-third using three channels. But despite the fact that merchants have heard this for the last several years, they haven't seemed to grasp its opportunity. While many have successfully exploited the obvious advantage of the Web through e-commerce, there's a widespread need to find ways to discover small wins in the form of changes that mitigate shoppers' perception of risk, such as adding proactive chat for additional product information. And now there's an even more pressing need to figure out ways to support other channels.

Intra-channel blur is the reality of multi-channel retail today—at least for consumers. Multi-channel is more intuitive for shoppers than retailers, who maintain a separatist view of store and online. This view is propagated by the fact that most marketers

measure success according to customer purchases in one channel or another. For example, the success of a TV campaign may be measured by purchases in the store on sales day. But there's no measurement of the browser who visits the store and returns home to make the purchase online. Channel choice as a segmentation factor should be irrelevant. Along the same lines, 40% of consumers who browse catalogs never purchase through catalogs, indicating that retailers need to find ways to link catalogs to the other channels.

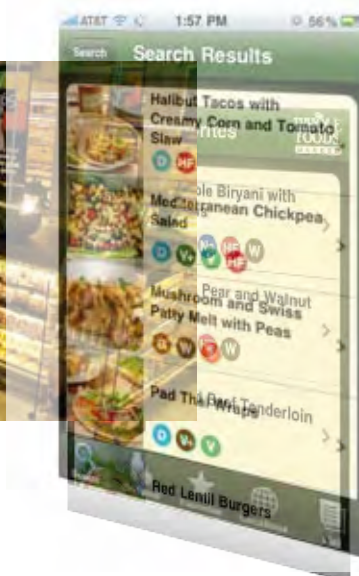
Multi-channel shoppers are more profitable, because they're more engaged and subject to more sales opportunities. They also spend 50% more than single channel shoppers. By 2012, nearly 40% of retail sales will be influenced by the Web and cross-channel. Retailers must move faster to deliver on people's expectations for a seamless brand experience.



WHITE PAPER:

Driving Demand with Wireless

<http://www.designforum.com/soi2010>



FOOD. IT'S EVERYWHERE

There's a burrito on your iPhone!

Food is the one thing consumers buy with frequency. Americans can be relied on for three meals a day plus snacks, and in the case of Millennials who are late-night denizens of online, they'll even consider a fourth meal. Restaurants such as Chipotle and Burger King use mobile outreach with smartphone apps to nab sales the moment hunger strikes. To push its value menu, Taco Bell lets mobile eaters calculate what they can afford to buy. In the grocery channel, Whole Foods Market Recipes helps the health-conscious eat better.

As the go-to bait for driving productivity and shopper frequency, food continues to cross categories as retailers look for ways to build the basket.

Early this year, Walgreens announced plans to explore the addition of fresh food and prepared meals to the mix of its 7,000 stores. Rival CVS will double the size of its food sections in 3,000 of its 7,000 stores. Target is on track to have P-Fresh grocery areas in 450 of its stores by the end of this year. To get greater sales per square foot, Sam's Club touts adding 24 imported cheeses as part of its three-year remodeling push, "Project Portfolio," which adds fresh produce and meat, health and beauty and baby-care.

It's no secret that people are spending less on food in order to spend elsewhere—for now. Will that behavior persist? "The 2010 American Pantry Study: The New Rules of the Shopping Game" by Deloitte and Harrison indicates that price-consciousness, value-orientation and bargain hunting will prevail for years to come, even if the economy improves. The recession has created a more strategic, informed, even calculating food shopper who derives personal gratification from feeling smarter.



Value grocers racing to take advantage of that forecast include discount grocer Aldi, adding 100 stores this year to its 1,085 unit base; H-E-B is testing the waters of the trading-down consumer with its discount grocery, Joe V's Smart Shop; and this year Smart & Final rolls out 25 of its new format, SmartCo, a no-member-fee warehouse grocer. Dollar Tree's test concept, Dollar Tree Market, jumps into the food fray with a grocery that will include meat, fruit, housewares and baked goods prepared instore. Continuing along the "smart money" theme, Giant Eagle opened Valu King, a no-frills, 3,000-item grocery.

One of the few grocers going upscale, Winn-Dixie built a new prototype in southern Florida with natural foods, global cuisine and fresh flowers meant to compete with Whole Foods Market. Ironically, at the end of last year Whole Foods dropped its food prices by an average of 5 percent, while Walmart's food prices are up 2.3 percent since February.

NEW FOOD PLAYS PROMISE INNOVATION & IMPROVED EXPERIENCES

The supermarket format has been on the retail scene for decades without much change and little value proposition beyond "fresh." It's taught us to automatically troll along 60-foot gondolas to compose our purchases from 45,000 items.

As one retail analyst put it: The supermarket model presumes we are in a rush. They are built as machines for selling, not seducing, with straight lines and big signs as if we were all racing our carts up the aisle at 50 miles an hour. Given America's attachment to food, you'd think our retail grocery model would be a place that nurtures us and our senses, where we want to spend money as well as time. A place we fall in love with.

Supermarkets have become a "routine." Now consumers are looking to the digital realm to help with the grocery buying task, especially the speedy, low-cost replenishment of everyday needs.

Alice.com allows manufacturers to sell their products directly to consumers who choose to buy their household essentials online. In January, Procter & Gamble began testing the eStore. Sears has added online groceries for pickup and delivery in metropolitan areas through its Gofer.com e-commerce site. It joins the ranks of Stop & Shop's Peapod and Amazon.com, which are cautiously expanding their online grocery services in select local markets. Claiming 21% of the online grocery population, MyWebGrocer still seems to be the largest online grocery destination, engaging over 4 million shoppers a month via its local store. It reports that shoppers are increasingly completing their purchases online and picking them up.

LOOK! UP IN THE SKY! IT'S A SANDWICH!



The next time you consult your mobile device for a Subway store location, it may point you skyward. A franchise currently rests near the 30th floor of the steel structure of 1 World Trade Center, a 105-story skyscraper rising at Ground Zero. The Subway shop is a moveable "pod" sitting on the side of a tower crane and will rise along with the structure, supplying sandwiches to a workforce of up to 1,000 iron workers, laborers, concrete workers and electricians.

Other unconventional Subway locations include an aluminum smelting plant in New Zealand, an air conditioner plant in Georgia, a church in Buffalo and a riverboat in Germany.



SLIDE SHARE:

Facts & Figures: New Consumer Behaviors

<http://www.designforum.com/soi2010>



THE TIME HAS COME TO RE-IMAGINE THE STORE

Technology trends are set to alter store experiences.

Wireless access to the Internet is changing how people live, work and play. It's closing the gap between distance and time, and it will recalibrate business interactions in every industry. It won't be long before wireless alters entire shopping experiences forever. Once the challenges of its impact on multiple industries and the complexity of implementation are met, mass adoption and behavior change will quickly follow. Some businesses will see changes so significant, they'll need to ask themselves, "What business am I in?" as they adjust their practices to adapt to the consumer.

However, don't assume that having "everything for sale everywhere" will lead to the store's obsolescence. The traditional physical store will become as important as ever, if not more so. The trends in technology, ecology, society and economy will cause retail to evolve its services. But the same transformative forces will also drive the creation of retail spaces that are unparalleled works of interactive art, filled with character and customer empathy.

The shop of the last century, comprised of a counter, a cash register and merchandise on a shelf

will become a quaint relic. In its place will be a dynamic intersection of graphic design, interactive design, architecture and exciting, relevant merchandising. It will offer shoppers insight and perspective while conceding control to them. As such, shoppers will be able to customize the store.

A retail brand—even mass—will have new dimensions, discretely revealing certain aspects of itself to one segment of its audience, and another side of its character to a second segment. Design and technology will allow stores to show a different composition, line of sight and visual entry point, depending on the customer. They'll perceive only the aspect of the store that has greatest significance to them. Thus, a mass retailer will be experienced alternately as a value solution by one shopper, and a fashion authority by another.



VIDEO:

Imagination at Work

<http://www.designforum.com/soi2010>

LIFE IN A WIRELESS WORLD

Digital will not only give people the ability to shop everywhere all the time, it will also connect them to work in the same way. As members of the Millennial generation rise to take positions of influence in business, their comfort with technology will allow for the same decentralizing of the workplace. That, in hand with inevitable oil and energy crises, will spawn telecommuting, either from home or neighborhood outposts.

People will become less car dependent. Sidewalks and bikeways will connect them to pedestrian-friendly commerce centers, where small and even micro formats of the retail brands they love will be waiting.

Today's push for merchants to draw on local sourcing and cultural connections will become a full-fledged expectation. Farmers markets and agriculture cooperatives are the forerunners of the shift to sustainability by American's biggest grocery players, who will crack the code on availability and profitability, thereby renewing local economies. To the surprise of many, Walmart is quietly leading the way.

Companies will learn to operate in a market where consumers have more influence than shareholders, where transparency is the norm. Individuals will routinely leverage their large social network's buying power for price, product co-creation and group customization.

Manufacturers will master crowdsourcing balanced with creativity by soliciting feedback for new products, saving on R&D. The rapid response model, now used in fast fashion, will be adopted by the mass category, which will signal their manufacturers of product movement in real time, customizing merchandise mix locally and completely eliminating idle inventory.

The population pendulum has begun the inevitable swing back from suburban expansion to urban dwelling. Again led by Millennials and their belief in community involvement and sustainability, retail will follow and find fertile ground in what was previously considered the "urban retail desert." To aid in that movement, technology will finally tame shrinkage, if not with RFIDs certainly with a similar breakthrough, making more retailers amenable to downtown formats.

As consumers shift their general merchandise purchases online, the drug store will stop selling potato chips and printer cartridges and become the trusted protectors of human health they claim to be. The aging population (76 million elderly baby boomers) and changes in health care insurance will give drug stores the opportunity to offer limited medical and dental services supported by unique assortments for personal care, health and family well-being.

One thing that won't change: The need for the continual push to create the Next Big Thing. In the future, it will be just as challenging to come up with an exciting new retail concept as it's always been.



PREDICTIONS

SHELF? WHAT'S A SHELF?

With books, CDs, DVDs and photo albums becoming obsolete in favor of electronic readers and streaming media, why would the home of tomorrow need a bookshelf? For that matter, why would a retailer need a shelf other than to display the minimum number of wares and their options for customization? The term “personal shopper” could well fall into disuse, since every store will ideally behave as a personal shopper every time you step inside. “Catered retail” will bring goods to your home.

LUXURIOUS LESS

Conspicuous consumption won't go away; it will merely take on a new form. Our transportation vehicles may become smaller, and our houses may have less square footage leading to fewer possessions. But though few, our things will be luxurious. Budgets will be conserved in order to be spent on things of sleek and beautiful design, high-end electronics, the best vintage wine, or an adventurous vacation to an exotic corner of the world. We'll generate less garbage and take up less space, but do it in style.



GOOD-BYE, ROUTINE PURCHASES

The primary shopping occasion—speedy, low-cost replenishment—is headed for extinction. Wireless pantries will automatically place their orders online for regularly scheduled at-home delivery. The supermarket “center store” will disappear. Stores will again be places of tactile, olfactory engagement. Shoppers will be free to enjoy shopping driven by pleasurable problem-solving, a quest for self-expression and the impulse-oriented mission of discovery.



HAPPY AT LAST

Technological advances and fierce competition for lifeshare will hasten the death of today's version of customer service, i.e. "disappointment management." Service offerings will be tailored to individual need. Wireless payment options will make the checkout conveyor belt, the cashwrap and the waiting line things of the past. For those who don't enjoy shopping, webcam consultations will bring the store to you. That also means, however, that there will be no need for a cute little robot to follow you around the supermarket holding your basket.



PROTEAN STORE EXPERIENCES

The human delight in the discovery of new things won't change. Store environments will be built to allow for various interpretations and changed frequently. Moveable, flexible design elements will allow easy adaptation to trends. The shopping experience will be continually reinvented, and will include elements of entertainment and socializing, a reflection of what is in the virtual space. Store associates will be hired for their ability to be creative, socially in tune and interesting—as opposed to their knack for refolding sweaters.



IDIOMATIC RETAIL

Intolerance of chain-store sameness will result in unique blends of commercial areas, with personalities derived from immediate surroundings. Today's lifestyle centers, which merely imitate neighborhoods, will give way to the real thing. Smaller communities will have cachet like the large metropolitan areas have today, such as Chicago's Armitage Avenue or Atlanta's Little Five Points. The most local of all traditional retail forms, the sidewalk food cart will be joined by its big brother, the specialty food truck adding more locational flavor.



THE FUTURE: HOW TO GET THERE FROM HERE

Despite their expectation that business will either fall or remain flat for the rest of 2010, 92% of retailers surveyed in May plan to increase store openings this year, and remain optimistic about their prospects for the near-term as well as long-term.

As capital expenditure budgets accommodate virtual retail as well as brick-and-mortar, smart companies will optimize their investments with a brand strategy that supports the way customers want to shop.

NEAR-TERM: FIND THE EMERGING CUSTOMER IDENTITY FOR YOUR BRAND

The future ain't what it used to be. Despite the predicted return to expansion, analysts project 40% less retail square footage will be added in the next five years than in the past five as companies optimize existing stores to attract the most profitable shopper.

To find the most profitable shopper, retailers will need to insist on shopper data beyond segmentation, beyond shopping occasion and value definition, to find the emotion attached to shopper thoughts and actions. Although consumers are more price conscious than ever, the way to their wallets is often

through their hearts.

Deeper insights, such as those found from mapping the customer journey and looking for opportunities through the lens of wireless, must be used to create meaningful multi-channel strategies, shelf principles and store designs in sync with the shopper mindset. The new expectation placed on retail by m-commerce means channels can no longer work independently. They must be aligned in order to deploy more effective communications, and lower barriers to purchase to make a sale whenever and wherever the customer is ready.

Alongside investment in the improvement of multi-channel processes, smart retailers will underpin their efforts with robust management of relevant content across channels with a goal of supporting one over-arching brand strategy. Multi-channel integrity will require applications to more specifically target and support customers and gain their loyalty through real-time offers and online product recommendation engines.

MID-TERM: CREATE A HOLISTIC APPROACH TO MULTI-CHANNEL STRATEGIES TO ECHO THE CONSUMER'S PERCEPTION

While integrated demand and replenishment are the ideal, its implementation is a complex process. Retailers laying the foundation for it now can expect it to come to fruition about five years out. Meanwhile, retailers are replacing their inventory management and replenishment systems, and working on strategies for optimized inventory. Investment must continue in applications that integrate cross-channel capability, supported by excellent execution in the store.

Mapping the customer journey will continue to be crucial, as companies strive to offer the right applications on the right devices at the right point in the shopping process.

It is imperative that retailers begin to form more intimate connections with their target customers by contributing value and meaning to the online conversation. With greater connection to their customers, retailers will be able to use newfound insight to introduce products and business models that are truly innovative, which will give them a better chance at earning their place in their shopper's life.

A company's future prospects will depend on how well it reflects the values of the audience it serves. While still being grounded in profit, process and efficiency, companies must act in accordance with the human values that drive community—connect- edness, compassion, openness and authenticity.

FAR-TERM: RETAIL EVOLVES WITH TECHNOLOGY

In the future, retail will take a new shape in the same way that digital has been reshaped in our lifetime.

When the PC first appeared, it was a practical work tool. Its price and utility were important. Now it's a part of everyday life, like our house keys. Its designs are beautiful and intriguing. Smartphones have emotive qualities as well as functional qualities. Thanks to Apple, people became the point of technology. Technology fits easily into people's lives rather than forcing their lives to fit its dictates.

The store will transform along those same lines. Ten years ago, only price and utility were important. But as expansion slowed, retail chains began to

think less about being great merchants and more about how they could improve shopper's lives. In recent years, retailers have been thinking of themselves as not just a fleet of distribution points, but a brand—an idea beyond function that allows for an experiential attachment.

Now retail brands need to add sociability to contribute to the rich social web in which we live. In the years ahead stores will be built with intuitive rightness. Rather than thinking first about how to build a store, retail brands will think about how to make it fit the lives of people.



BLOG:

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Chain Store Age Top 100: The Nation's Largest Retailers

	Company / Fiscal Year-end	2009 Revenues [000]	2008 Revenues [000]	2009 Net Income [000]	2008 Net Income [000]	Stores 2009 2008	Comments
1	Wal-Mart Stores Bentonville, Ark. 1/31/10 ^A	405,046,000	401,087,000	14,335,000	13,400,000	8,416 7,863	Will accelerate international expansion to make up for slowing growth in the U.S. Domestic agenda includes smaller stores and a big push into urban areas.
2	The Kroger Co. Cincinnati 1/30/10 ^A	76,733,000	76,148,000	70,000	1,249,000	3,619 3,550	Continues to focus on improving customer service and making its stores a one-stop solution for customers' daily needs to grow market share. Strategic emphasis on self-development and ownership of real estate.
3	Costco Issaquah, Wash. 8/30/10 ^A	69,889,000	70,977,000	1,086,000	1,283,000	566 512	Citing economic slowdown, shuts pilot Costco Home Stores locations. Look for international stores to drive company's growth going forward, with Asia and Australia as major opportunities.
4	The Home Depot Atlanta 2/1/10 ^A	66,176,000	71,288,000	2,661,000	2,260,000	2,244 2,274	Cut 2.6 billion kilowatt-hours (kWh) since 2004 in stores and expects 20% reduction in kWh/sq.ft. by 2015. Pledged 20% cut in greenhouse gas emissions over next five years.
5	Target Corp. Minneapolis 1/30/10 ^A	65,357,000	64,948,000	2,488,000	2,214,000	1,740 1,682	Opens first Manhattan location — first-year sales projected at \$90 million. Continues rollout of expanded food concept, PFresh, with 350 locations on tap in 2010.
6	Walgreen Co. Deerfield, Ill. 8/31/09 ^A	63,335,000	59,034,000	2,006,000	2,157,000	7,496 6,934	Acquisition of Duane Reade gives chain leading presence in New York City; plans to keep Reade banner. Expanded mobile services include text-message alerts for Rx's.
7	CVS Caremark Woonsocket, R.I. 12/31/09 ^{AR}	55,355,000	48,990,000	4,159,000	3,753,000	7,025 6,923	Entering Puerto Rico with nine locations in 2010. Contract losses by Caremark take a bite out of earnings, but recently announced 12-year agreement to administer Aetna Inc.'s in-house pharmacy benefits operation seen as big win.
8	Best Buy Richfield, Minn. 2/27/10 ^A	49,694,000	45,015,000	1,317,000	1,003,000	4,027 3,942	Will open 50 to 55 large-format stores and 75 to 100 smaller-format mobile shops in 2010. International expansion also on tap.
9	Lowe's Cos. Mooresville, N.C. 1/29/10 ^A	47,220,000	48,230,000	1,783,000	2,195,000	1,710 1,649	Pioneered innovative health insurance benefit through alliance with Cleveland (Ohio) Clinic, #1 U.S. medical provider of heart care for 15 years. Covers travel and lodging expenses.
10	Sears Holdings Hoffman Estates, Ill. 1/30/10 ^A	44,043,000	46,770,000	235,000	53,000	3,921 3,918	Bringing back the Christmas Club card to help consumers budget for the holidays. Continues to invest in mobile efforts; new applications include Sears2Go and Personal Shopper.
11	Safeway Pleasanton, Calif. 1/2/10 ^A	40,850,700	44,104,000	[1,097,500]	965,300	1,725 1,739	Became first U.S.-based grocery chain to join The Sustainability Consortium, an independent organization that promotes a scientific foundation for consumer product sustainability.
12	Supervalu Eden Prairie, Minn. 2/27/10 ^A	40,597,000	44,564,000	393,000	[2,855,000]	2,349 2,421	Weak economy and fierce price competition take toll as grocery giant exits Cincinnati and Connecticut markets. Expanding its smaller-format, discount Sav-A-Lot division, with plans to open 100 stores this year.

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E = Estimate

R = Retail operations only, not total enterprise

C = Fiscal year-end changed

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Source: Company reports/Chain Store Age research

For Methodology, see p. 27A

13	RiteAid Camp Hill, Pa. 2/27/10 ^A	25,669,117	26,289,268	[506,676]	[2,915,420]	4,780 4,901	John Standley, formerly president and COO, is new CEO. Launches wellness and customer loyalty program, revamps private-label program and begins immunization training to triple number of pharmacists able to provide vaccinations.
14	Amazon.com Seattle 12/31/09 ^A	24,509,000	19,166,000	902,000	645,000	DNA DNA	Riding the crest of the e-book wave as sales and income soar.
15	Publix Supermarkets Lakeland, Fla. 12/26/09 ^A	24,319,716	23,929,064	1,161,442	1,089,770	1,014 993	Selected as the highest-ranking supermarket for customer satisfaction for the 16th consecutive year, according to the American Customer Satisfaction Index. Remains on growth track despite rough economic climate.
16	Staples Framingham, Mass. 1/30/10 ^A	24,275,451	23,083,775	738,671	805,264	2,243 2,218	Proactively green: Collected 12.4 million pounds of technology waste from customers in U.S. and Canada in 2009. Other green measures include solar power on 32 facilities.
17	Macy's Cincinnati 1/30/10 ^A	23,489,000	24,892,000	350,000	[4,803,000]	849 847	Local push (My Macy's) paying off with strong sales. Bloomingdale's division makes first foray overseas (in Dubai) and debuts outlet-store concept back home.
18	Ahold USA Chantilly, Va. 1/3/10 ^A	22,825,000	21,812,000	NA	NA	713 711	Expanded its presence in Virginia through the acquisition of 25 strategically positioned Ukrop's Supermarkets.
19	TJX Cos. Framingham, Mass. 1/30/10 ^A	20,288,444	18,999,505	1,200,000	880,600	2,743 2,652	Aggressive growth, with 130 new U.S. stores planned for 2010. Will launch new chain in spring and expand Marshalls chain into Canada, with six initial locations.
20	Delhaize America Salisbury, N.C. 12/31/09 ^A	18,994,000	19,239,000	1,016,000	1,060,000	1,607 1,594	Drove volume trend in 2009, increasing number of transactions and the number of items per transaction. However, lower prices resulted in a 1.3% drop in year-over-year revenues.
21	JC Penney Plano, Texas 1/30/10 ^A	17,556,000	18,486,000	251,000	572,000	1,108 1,093	Set to become the exclusive retailer of Liz Claiborne brand as it continue to pursue exclusive brand-partnerships to build market share.
22	Kohl's Department Stores Menomonee Falls, Wis. 1/30/10 ^A	17,178,000	16,389,000	991,000	885,000	1,058 1,004	Has prevented nearly \$50 million in electricity costs over past four years through energy-efficiency programs; will pursue Energy Star designation for all new construction starting in spring.
23	Pilot Travel Centers Knoxville, Tenn. 12/31/09 ^E	17,000,000	16,000,000	NA	NA	310 305	Completed merger with Flying J on June 30. New company, Pilot Flying J, has more than 550 locations and will remain headquartered in Knoxville.
24	Love's Travel Stops & Country Stores Oklahoma City 12/31/09 ^E	16,500,000	15,750,000	NA	NA	220 206	Acquired 26 locations from Pilot Travel Centers in June.
25	Alimentation Couche-Tard Laval, Quebec 4/25/10 ^{AX}	15,889,000	15,267,289	292,842	245,640	5,878 5,443	At press time, Canadian retailer had extended once again its takeover bid for Casey's General Stores.
26	Meijer Grand Rapids, Mich. 1/30/10 ^E	14,702,000	13,900,000	NA	NA	194 186	Building a fleet of energy efficient trucks including U.S. EPA 2010 trucks from Daimler Trucks North America that feature near-zero emissions technology.
27	Gap San Francisco 1/30/10 ^A	14,197,000	14,526,000	1,102,000	967,000	3,095 3,149	Global expansion a priority with plans to open company-owned stores in China and Italy, and expand e-commerce abroad. Rolling out new Old Navy design with racetrack layout.
28	H-E-B San Antonio 10/30/09 ^E	14,127,000	14,500,000	NA	NA	317 338	Craig Boyan named company president in January. Adding 19 supermarkets in Texas and Mexico, and new distribution center in Temple, Texas.
29	Toys R Us Wayne, N.J. 1/30/10 ^A	13,568,000	13,724,000	312,000	218,000	1,566 1,559	Revived retailer filed \$800 million IPO in May. Sights set on holiday, debuts Christmas Savers Club, encouraging shoppers to begin setting aside money with the added benefit of earning a bonus.

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30	Office Depot Delray Beach, Fla. 12/26/09 ^A	12,144,467	14,495,544	[596,465]	[1,478,938]	1,289 1,429	As part of ongoing commitment to sustainability, all new and relocated North American Office Depot retail locations will adhere to LEED standards, including 14 stores planned for 2010.
31	Dell Computer Round Rock, Texas 1/29/10 ^{ER}	12,054,000	11,529,000	NA	NA	DNA DNA	Finalizing plans to release its tablet PC, the Dell Streak.
32	Dollar General Goodlettsville, Tenn. 1/29/10 ^A	11,796,000	10,458,000	339,000	108,000	8,828 8,362	With more locations than any other retailer in America, fast-growing discounter opened 9,000th store in July. Will open 600 stores in current fiscal year.
33	BJ's Wholesale Club Natick, Mass. 1/30/10 ^A	9,954,400	9,802,200	132,100	134,600	187 180	Opened 2 new BJ's Wholesale Club stores in the first half of 2010, bringing the total to 189 stores.
34	Army & Airforce Exchange Service Dallas 1/30/10 ^A	9,800,000	8,876,580	420,100 earnings	376,290 earnings	3,100 3,100	Completed 123 major facility renovations at a cost of \$1.1 billion during past five years. In 2010, will renovate 24 exchanges to its current standards.
35	Starbucks Seattle 9/27/09 ^A	9,774,600	10,383,000	390,800	315,500	6,764 7,238 (company-owned stores)	Expanded product offerings and promotional efforts, including free Wi-Fi in stores. As part of broad energy-reducing initiative commits to building LEED-certified stores. Steps up international growth, with Asia as big target.
36	7-Eleven Dallas 12/31/09 ^E	9,431,000	15,000,000	NA	NA	6,389 ^A 6,196 ^A	Expanding through organic growth, franchising, acquisitions and its business conversion program, operator is taking a big share of c-store market here and abroad.
37	GameStop Grapevine, Texas 1/30/10 ^A	9,077,997	8,805,897	377,265	398,282	6,450 6,207	Allocated \$75 million for the opening of 400 new stores this fiscal year. Fortified its digital platform with acquisition of Kongregate, a social gaming destination and online community.
38	The Great Atlantic & Pacific Tea Co. Montvale, N.J. 2/27/10 ^A	8,813,600	9,516,200	[876,500]	[143,300]	429 436	Troubled grocer appoints Sam Martin, former COO of OfficeMax, as CEO. Company looks to sell non-core assets to assure liquidity.
39	eBay San Jose, Calif. 12/31/09 ^A	8,727,362	8,541,261	2,389,097	1,779,474	DNA DNA	Announced that it will become one of the inaugural customers for Microsoft's new Windows Azure platform appliance for cloud computing.
40	Verizon Wireless Basking Ridge, N.J. 12/31/09 ^{ER}	8,634,000	6,697,000	NA	NA	2,330 2,500	Remains bullish on opening retail stores. Year-over-year decline in store count is attributed to the Circuit City store closings, where Verizon had store-in-store concepts.
41	Limited Brands Columbus, Ohio 1/30/10 ^A	8,632,000	9,043,000	448,000	220,000	2,971 3,014	Sold remaining stake in namesake chain to focus on Victoria's Secret and Bath & Body Works units. Set up Canadian division to support expansion in the country, and plans to open Bath and Body Works stores in the Middle East through franchise deal. Will open London's first Victoria's Secret store in 2012.
42	Nordstrom Seattle 1/30/10 ^A	8,258,000	8,272,000	441,000	401,000	184 169	Roughly 22 new stores opening this year, including 18 Nordstrom Rack off-price locations. Fifteen stores set to open in 2011, including 12 Rack stores.
43	Giant Eagle Pittsburgh 6/30/10 ^A	8,200,000	8,000,000	NA	NA	377 366	Opened two of its smaller-footprint, low-price Valu King stores in the Columbus, Ohio, market.
44	Whole Foods Market Austin, Texas 9/27/09 ^A	8,031,620	7,953,912	146,804	114,524	284 275	Company recovers from recession as affluent customers return; opening smaller-sized stores and re-emphasizing its health food roots.
45	Menards Eau Claire, Wis. 1/30/10 ^E	7,897,000	8,100,000	NA	NA	252 250	Partnered with IBT Enterprises to identify, negotiate and build strategic co-tenant relationships that will create store-in-store concepts within Menard's stores.
46	Bed, Bath & Beyond Union, N.J. 2/27/10 ^A	7,828,793	7,208,340	600,033	425,123	1,100 1,037	Opening 55 to 60 new stores across all of its concepts, including Christmas Tree Shops and Harmon, in 2010.

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47	QuikTrip Tulsa, Okla. 4/30/10 ^E	7,730,000	8,700,000	NA	NA	537 501	Responding to increased demand for fresh foods, QuikTrip will unveil a new store design that has a wider selection of prepared foods and a 20% larger footprint.
48	Aldi Batavia, Ill. 1/30/10 ^E	7,457,000	6,250,000	NA	NA	1,054 988	Fast-growing discount supermarket operator will enter New York City in 2011, with store in Queens.
49	Family Dollar Stores Charlotte, N.C. 8/29/09 ^A	7,400,606	6,983,628	291,266	233,073	6,655 6,571	Strategic initiatives to improve merchandising, marketing and operations translate to sustained growth in discounter's top and bottom lines. Opening 200 stores this year.
50	QVC Englewood, Colo. 12/31/09 ^A	7,374,000	7,303,000	1,565,000 OIBDA	1,502,000 OIBDA	DNA DNA	Currently in U.S., Germany, Japan and U.K. Plans to launch in Italy in the fourth quarter of this year.
51	Winn Dixie Stores Jacksonville, Fla. 6/24/09 ^A	7,367,000	7,281,000	40,000	13,000	515 521	Shuttering 30 underperforming stores, mostly in Florida. Cuts 120 corporate and field support jobs to cope with weak sales as it consolidates four operating regions into three.
52	OfficeMax Naperville, Ill. 12/26/09 ^A	7,212,000	8,267,000	[1,575]	[1,665,919]	1,010 1,022	Investing in technology and infrastructure to support growth as it focuses on expanding core business and pursuing opportunities in adjacent markets.
53	Ross Stores Pleasanton, Calif. 1/30/10 ^A	7,184,213	6,486,139	442,757	305,441	1,005 956	With plenty of room for expansion in Northeast and the Midwest, the company plans to open about 35 Ross stores and 15 dd's locations this year.
54	Sherwin-Williams Cleveland 12/31/09 ^A	7,094,249	7,979,727	435,848	476,876	3,354 3,346	The Paint Stores Group expects to open 40 to 50 new stores this year while the rate of store closings slows.
55	AutoZone Memphis, Tenn. 8/29/09 ^A	6,817,000	6,523,000	657,049	641,606	4,417 4,240	Will open 140 to 160 stores in its current fiscal year; looks for sites in Philadelphia, Milwaukee and Orlando.
56	Racetrac Petroleum Atlanta 12/31/09 ^E	6,680,000	7,000,000	NA	NA	545 533	Founded in 1934, the second-generation family-owned convenience store company remains committed to a slow, steady growth strategy of about 10% per year.
57	Apple Cupertino, Calif. 9/26/09 ^{ER}	6,574,000	9,655,000	NA	NA	217 247	Buoyed by strong demand for iPhone and iPad, high-tech giant will open 40 to 50 stores in 2010.
58	Hy-Vee West Des Moines, Iowa 9/30/09 ^E	6,415,000	6,200,000	NA	NA	228 224	Expanded partnership with Caribou Coffee making it preferred brand in all deli/food service counters. Barista-staffed kiosks, in 18 stores, will roll out to other Hy-Vee locations this year.
59	The Pantry Cary, N.C. 1/25/10 ^A	6,390,100	8,995,600	59,100	31,800	1,673 1,653	Plans to sell 80 stores in an attempt to right-size the portfolio and correct disappointing performance.
60	Trader Joe's Monrovia, Calif. 6/30/10 ^E	6,275,000	6,000,000	NA	NA	340 305	Entering new markets, with first Nebraska location (Omaha) opening later this year.
61	Dillard's Little Rock, Ark. 1/30/10 ^A	6,094,948	6,830,543	68,531	[241,065]	309 315	Seventy-two-year-old department store company on the upswing with updated fashion quotient, opens two stores in Texas.
62	Defense Commissary Agency Fort Lee, Va. 9/30/09 ^A	5,980,000	5,813,245	NA	NA	254 273	After serving as director of DECA for 35 years, Philip Sakowitz retired June 30. Deputy director and COO of DECA, Thomas E. Milks assumed the role of acting director on July 1.
63	Barnes & Noble New York 5/1/10 ^{AC}	5,810,564	5,121,804	36,676	75,920	1,357 778	Exploring strategic operations, including putting itself up for sale. Founder and largest shareholder Leonard Riggio might make a bid for the struggling retailer.
64	WaWa Media, Pa. 12/31/09 ^E	5,800,000	5,050,000	NA	NA	570 569	C-store operator picking up the pace of store openings again, developing smaller stores to allow it to get closer to urban markets. Opening 20 to 25 locations this year and the same next.
65	Advance Auto Parts Roanoke, Va. 1/2/10 ^A	5,412,623	5,142,255	270,373	238,038	3,420 3,368	Opened 43 stores including 11 international locations in Q1 of 2010. In June, launched a new online suite of customer services.

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66	PetSmart Phoenix 1/31/10 ^A	5,336,392	5,065,293	198,325	192,670	1,149 1,112	Expansion plans for 2010 include 40 to 42 new stores and 18 PetsHotels.
67	Dollar Tree Chesapeake, Va. 1/30/10 ^A	5,231,200	4,644,900	320,500	229,500	3,806 3,591	Plans to open 220 new namesake stores and 25 new Deal\$ units in 2010. Longterm goal is to double the size of the chain, reaching 7,000 Dollar Tree stores plus more Deal\$ stores.
68	Wegmans Food Markets Rochester, N.Y. 12/31/09 ^A	5,150,000	4,800,000	NA	NA	75 73	Ranked #3 on Fortune magazine's list of the "100 Best Companies to Work For," a list it has made every year since 1998.
69	Save Mart Modesto, Calif. 12/31/09 ^E	4,993,000	5,100,000	NA	NA	243 245	With 240 stores in Northern California and Northern Nevada, privately held supermarket chain continues to expand in its home markets and green its operations.
70	AT&T Wireless Dallas 12/31/09 ^{ER}	4,940,000	4,925,000	NA	NA	2,315 2,200	Expanding its retail presence with hands-on, interactive store design.
71	FootLocker New York 1/30/10 ^A	4,854,000	5,237,000	48,000	[80,000]	3,500 3,641	New strategic plan includes consolidation of footwear brands under one management structure and increase in capital spending annually over the next five years. Expanding House of Hoops format and tapping into technology to better allocate staff based on hours of demand.
72	O'Reilly Automotive Springfield, Mo. 12/31/09 ^A	4,847,062	3,576,553	307,498	186,232	3,421 3,285	Conversion of CSK stores to O'Reilly system on track. Will open 150 new locations in 2010.
73	Big Lots Columbus, Ohio 1/30/10 ^A	4,726,772	4,645,283	200,369	151,547	1,361 1,339	Closeout retailer will open 80 stores this year as it starts expanding into higher-end locations.
74	Casey's General Store Ankeny, Iowa 4/30/10 ^A	4,637,087	4,690,525	116,962	85,690	1,533 1,478	Announces \$500 million recap plan as it continues to battle a hostile takeover attempt by Canadian counterpart Alimentation Couche-Tard; rolling out new store design.
75	Dick's Sporting Goods Pittsburgh 1/30/10 ^A	4,412,835	4,130,128	135,539	[39,865]	419 384	Investing in technology and ramping up marketing initiatives to gain market share. Expects to open at least 24 Dick's Sporting Goods stores and five new Golf Galaxy locations, and remodel about 11 Dick's Sporting Goods stores, in 2010.
76	Luxottica Group Port Washington, N.Y. 12/31/09 ^{ARX}	4,377,933	4,572,621	NA	NA	6,217 6,255	Signed agreement with Macy's to open 430 additional Sunglass Hut departments inside Macy's stores, anticipating a total of 670 to be opened by spring 2011.
77	RadioShack Fort Worth, Texas 12/31/09 ^A	4,276,000	4,224,500	205,000	189,400	6,563 6,752	Started rolling out "Bullseye Mobile," wireless kiosk stores located inside Target stores. Expects to be in the majority of Target stores by mid-2011.
78	WinCo Foods Boise, Idaho 3/30/10 ^E	4,100,000	4,000,000	NA	NA	71 65	Discount grocer continues to expand in Utah, its first foray into a new state since 1985, as it executes a remodeling and expansion plan for many of its older facilities.
79	Blockbuster Dallas 1/3/10 ^A	4,062,400	5,065,400	[558,200]	[374,100]	5,220 7,405	Expands Blockbuster Express kiosks and Blockbuster On Demand streaming video service to compete against Netflix and Redbox. Trying to restructure almost \$930 million in debt.
80	Roundy's Milwaukee 12/31/09 ^E	3,900,000	4,000,000	NA	NA	154 152	Two stores opening in the Chicago market, one this summer and the other in 2011, will be named Mariano's Fresh Market, a nod to CEO Bob Mariano's Italian heritage.
81	Michaels Stores Irving, Texas 1/30/10 ^A	3,888,000	3,817,000	107,000	[5,000]	1,175 1,170	Rolling out store design initiative that includes more open spaces, warmer colors and an expansion and reorganization of the scrapbooking, jewelry and kids department. Adding expanded classroom programs and in-store events.
82	Harris Teeter Matthews, N.C. 9/27/09 ^A	3,827,005	3,664,804	175,591	177,765	189 176	In the first 3 quarters of fiscal 2010, Harris Teeter opened 13 new stores and closed 3 stores. Opens third LEED store as part of green commitment.
83	Stater Bros. Markets San Bernardino, Calif. 9/30/10 ^A	3,770,000	3,741,254	NA	NA	167 165	Focusing on remodels as it slows expansion. Opened full-service Chase bank branches in 13 California stores.

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84	Sheetz Altoona, Pa. 9/30/09 ^A	3,700,000	4,900,000	NA	NA	363 350	In partnership with First National Bank of Omaha, launches the Sheetz Platinum Edition Visa Card that will serve as a credit card and incentive-based loyalty card.
85	Burlington Coat Factory Burlington, N.J. 12 months ending 5/31/10* ^{E,C}	3,650,471	3,541,981	25,270	[191,583]	448 433	Discount retailer keeps on expanding as picks up locations vacated during the recession. Chain will open nine stores in California this September, all in former Mervyns buildings. Fiscal year-end is being changed to end of January 2011.
86	Neiman Marcus Group Dallas 8/1/09 ^A	3,643,300	4,600,500	[668,000]	142,800	42 41	Longtime president and CEO Burton Tansky retiring in October, to be succeeded by Karen Katz, executive VP, Neiman Marcus Group. Testing a new discount concept.
87	Price Chopper/Golub Schenectady, N.Y. 4/30/10 ^E	3,400,000	3,400,000	NA	NA	119 115	In April, promoted Jerel Golub from executive VP and COO to the office of president and COO. Purchased six former P&C Food Stores from Tops Markets.
88	Belk Charlotte, N.C. 1/30/10 ^A	3,350,000	3,490,000	67,100	[213,000]	306 307	Nation's largest privately owned department store company has three major store renovation projects scheduled for fall completion in Hattiesburg, Miss.; Chattanooga, Tenn.; and Tuscaloosa, Ala.
89	Collective Brands Topeka, Kan. 1/30/10 ^A	3,307,900	3,442,000	82,700	[68,700]	4,833 4,877	Fiscal first-quarter profit grew 43% on higher margins and international sales growth. Opened new combined European headquarters and DC in The Netherlands and a product showroom in London to growing European appetite for its portfolio of brands.
90	Susser Holdings Corpus Christi, Texas 1/3/10 ^A	3,307,308	4,240,645	2,068	16,477	525 512	Selling its seven Village Market grocery stores and plans to focus on its core convenience store operations.
91	Ingles Markets Asheville, N.C. 9/26/09 ^A	3,261,400	3,249,400	28,828	52,123	200 197	Will open, remodel or relocate 8 stores in fiscal 2010, but due to economic conditions the company curtailed development.
92	The Sports Authority Englewood, Colo. 1/30/10 ^E	3,230,000	3,160,000	NA	NA	466 462	David Campisi, president, promoted to CEO. Set to debut new, small-format store called S.A. Elite.
93	Tractor Supply Co. Brentwood, Tenn. 12/26/09 ^A	3,206,900	3,007,900	115,500	81,900	930 855	Expanding its horizons, Tractor Supply now envisions its portfolio could double in size, growing to 1,800 stores in the U.S.
94	Systemax Port Washington, N.Y. 12/31/2009 ^A	3,165,995	3,032,961	46,200	52,800	34 29	Primarily a direct-to-consumer retailer of computer and technology products, Systemax relaunched CircuitCity.com last year.
95	Williams-Sonoma San Francisco 1/31/10 ^A	3,102,704	3,361,472	77,442	30,024	610 627	After leading the company for 31 years, CEO and chairman Howard Lester turned the reins over to newly appointed CEO Laura Alber in June. Rolled out new e-commerce platform.
96	Raley's West Sacramento, Calif. 6/30/09 ^A	3,100,000	3,450,000	NA	NA	133 140	Offers grocery bag recycling with a rebate for reused paper bags. Earned Gold Level certification from EPA for use of green refrigeration technology.
97	IKEA North America Conshohocken, Pa. 8/31/09 ^E	3,065,000	3,100,000	NA	NA	36 34	Eco-minded retailer will have phased out incandescent lamps in all stores by year-end. Implementing solar energy system in Tempe, Ariz., store, and Brooklyn, N.Y., location.
98	American Eagle Outfitters Pittsburgh 1/30/10 ^A	2,990,520	2,998,866	169,000	179,100	1,103 1,098	Teen retailer shuttering Martin + Osa stores and launching new kids concept, 77kids by American Eagle, with seven locations by year-end. Company also opening stores in Hong Kong and China in early 2011.
99	Bon-Ton Stores York, Pa. 1/30/10 ^A	2,959,824	3,129,967	[4,055]	[169,930]	278 281	Continuing to show gradual improvements. In 1Q 2010, net losses were \$23.5 million, a 50% reduction from net losses of \$45.4 million in 1Q 2009.
100	Abercrombie & Fitch New Albany, Ohio 1/30/10 ^A	2,928,626	3,484,058	300	272,300	1,096 1,097	Forecasts fiscal 2010 capital expenditures of \$200 million to \$225 million, including \$165 million to \$190 million to build new stores and remodel old ones, and about \$35 million for technology and other projects. Will open Abercrombie & Fitch flagships in Copenhagen and Fukuoka, Japan, this year, and Hollister flagship on Manhattan's Fifth Avenue.

A = Information taken from actual company reports E = Estimate R = Retail operations only, not total enterprise C = Fiscal year-end changed
X = Currency reported has been converted to U.S. dollars based on exchange rate at time of the company's published report NA = Not Available DNA = Does Not Apply
Source: Company reports/Chain Store Age research

Chain Store Age Top 100: Alphabetical listing by company name

Company	2009 Revenues [000]	Rank
7-Eleven	9,431,000	36
A&P	8,813,600	38
Abercrombie & Fitch	2,928,626	100
Advance Auto Parts	5,412,623	65
Ahold USA	22,825,000	18
Aldi	7,457,000 est.	48
Alimentation Couche-Tard	15,889,000	25
Amazon.com	24,509,000	14
American Eagle Outfitters	2,990,520	98
Apple	6,574,000 est.	57
Army & Airforce Exchange Service	9,800,000	34
AT&T Wireless	4,940,000	70
AutoZone	6,817,000	55
Barnes & Noble	5,810,564	63
Bed, Bath & Beyond	7,828,793	46
Belk	3,350,000	88
Best Buy	49,694,000	8
Big Lots Inc.	4,726,772	73
BJ's Wholesale Club	9,954,400	33
Blockbuster	4,062,400	79
Bon-Ton Stores	2,959,824	99
Burlington Coat Factory	3,650,471 est.	85
Casey's General Store	4,637,087	74
Collective Brands	3,307,900	89
Costco	69,889,000	3
CVS Caremark Corp.	55,355,000	7
Defense Commissary Agency	5,980,000	62
Delhaize America	18,994,000	20
Dell Computer	12,054,000	31
Dick's Sporting Goods	4,412,835	75
Dillard's	6,094,948	61
Dollar General	11,796,000	32
Dollar Tree	5,231,200	67

Company	2009 Revenues [000]	Rank
eBay	8,727,362	39
Family Dollar Stores	7,400,606	49
FootLocker	4,854,000	71
GameStop Corp.	9,077,997	37
Gap Inc.	14,197,000	27
Giant Eagle	8,200,000 est.	43
Harris Teeter	3,827,005	82
H-E-B	14,127,000	28
Hy-Vee	6,415,000 est.	58
IKEA North America	3,065,000 est.	97
Ingles Markets	3,261,400	91
JC Penney	17,556,000	21
Kohl's Department Stores	17,178,000	22
Limited Brands	8,632,000	41
Love's Travel Stops & Country Stores	16,500,000 est.	24
Lowe's Cos.	47,220,000	9
Luxottica Group	4,377,933	76
Macy's	23,489,000	17
Meijer	14,702,000 est.	26
Menards	7,897,000 est.	45
Michaels Stores	3,888,000	81
Neiman Marcus Group	3,643,300	86
Nordstrom	8,258,000	42
Office Depot	12,144,467	30
OfficeMax	7,212,000	52
O'Reilly Automotive	4,847,062	72
PetSmart	5,336,392	66
Pilot Travel Centers	17,000,000 est.	23
Price Chopper/Golub Corp.	3,400,000 est.	87
Publix Supermarkets	24,319,716	15
QuikTrip	7,730,000 est.	47
QVC	7,374,000	50
Racetrac Petroleum	6,680,000	56

Source: Company reports/Chain Store Age research

Company	2009 Revenues [000]	Rank
RadioShack	4,276,000	77
Raley's	3,100,000	96
RiteAid	25,669,117	13
Ross Stores	7,184,213	53
Roundy's	3,900,000 est.	80
Safeway	40,850,700	11
Save Mart	4,993,000	69
Sears Holdings Inc.	44,043,000	10
Sheetz	3,700,000	84
Sherwin-Williams	7,094,249	54
Staples	24,275,451	16
Starbucks	9,774,600	35
Stater Bros. Markets	3,770,000	83
Supervalu	40,597,000	12
Susser Holdings	3,307,308	90
Systemax	3,165,995	94
Target Corp.	65,357,000	5

Company	2009 Revenues [000]	Rank
The Home Depot	66,176,000	4
The Kroger Co.	76,733,000	2
The Pantry	6,390,100	59
The Sports Authority	3,230,000 est.	92
TJX Cos.	20,288,444	19
Toys R Us	13,568,000	29
Tractor Supply Company	3,206,900	93
Trader Joe's	6,275,000 est.	60
Verizon Wireless	8,634,000	40
Walgreen Co.	63,335,000	6
Wal-Mart Stores, Inc.	405,046,000	1
WaWa	5,800,000	64
Wegmans Food Markets	5,150,000	68
Whole Foods Market	8,031,620	44
Williams-Sonoma	3,102,704	95
WinCo Foods	4,100,000	78
Winn Dixie	7,367,000	51

Chain Store Age Top 100: Methodology

The annual Chain Store Age Top 100 ranks leading retail companies by annual net revenues recorded in their most recently concluded fiscal year. (Top restaurant chains are ranked on page 30A.)

For the majority of retail companies, the fiscal year ends near the conclusion of the calendar year or the end of January. However, a handful of retail companies end their fiscal year in February or September, and some end the fiscal year on dates unrelated to other companies. Because of these random differences in year-end dates, readers should resist drawing comparisons between companies, particularly when several months have elapsed between the numbers reported.

In addition to total revenue for the last two fiscal years, the Top 100 also reports net income for these years and the total store count at the end of each fiscal year. A study of these metrics provides visibility into the overall health and vitality of the company.

Research for this ranking included financial statements, annual reports and announcements published by the companies — and in some instances, interviews

with company executives. In cases of privately owned companies that do not release financial statements, estimates were based on evaluations of independently published financial reports.

When a company operated non-retail businesses as well as retail, the numbers quoted are for retail operations only. For those companies that report earnings in currencies other than U.S. dollars, the financial numbers were translated to U.S. dollars based on the exchange rate at that company's year-end.

Following the comprehensive ranking of Top 100 retail companies, there are charts that highlight other pertinent financial data on these retailers, including the Top 10 retail companies by estimated productivity per store, the 10 fastest-growing companies based on net store additions from fiscal 2008 to fiscal 2009, and the Top 10 retail companies based on combined net incomes for both fiscal years.

Research and analysis conducted by Connie Gentry, communications consultant and contributing editor for Chain Store Age.

Largest Retailers by Total Number of Stores

The fast-growing Dollar General, which opened up more than 450 locations in its most recently completed fiscal year, tops the list of retailers with the largest number of stores in the United States (store counts are for each company's most recently completed fiscal year). And the extreme-value chain shows no signs of slowing down in its new fiscal year: In July, it opened its 9,000th location.

Company / Top 100 Rank	2009 Additions	Net Losses	Total Stores	Rank by Store Count
Dollar General / 32	466		8,828	1
Wal-Mart Stores / 1	553		8,416	2
Walgreen / 6	562		7,496	3
CVS Caremark Corp. / 7	102		7,025	4
Starbucks / 35		-45	6,764	5
Family Dollar / 49	84		6,655	6
RadioShack / 77		-189	6,563	7
GameStop / 37	243		6,450	8
7-Eleven / 36	193		6,389	9
Luxottica / 76		-38	6,217	10

Fastest-Growing Store Counts

The retailers with the fastest-growing store counts attributed the bulk of their additions to organic growth, and many are continuing along that same path in their current fiscal year. For instance, Dollar General plans to add 600 stores in 2010, and GameStop is opening 400 stores. Missing from this list is Barnes & Noble, whose growth spurt (579 net additions) resulted from its acquisition of privately held Barnes & Noble College Bookstores.

Company / Top 100 Rank	Net Additions	Total Stores
Walgreen / 6	562	7,496
Wal-Mart Stores / 1	553	8,416
Dollar General / 32	466	8,828
Alimentation Couche-Tard / 25	435	5,878
GameStop / 37	243	6,450
Dollar Tree / 67	215	3,806
7-Eleven / 36	193	6,389
AutoZone / 55	177	4,417
O'Reilly Automotive / 72	136	3,421
AT&T Wireless / 70	115	2,315

Source: Company reports/Chain Store Age research

Highest Productivity per Store

Company / Top 100 Rank	Avg. Sales per Store	Store Count	2009 Net Income
Nordstrom / 42	\$2,396,739	184	\$441,000,000
Costco / 3	\$1,918,728	566	\$1,086,000,000
Wal-Mart Stores / 1	\$1,703,300	8,416	\$14,335,000,000
Target / 5	\$1,429,885	1,740	\$2,488,000,000
The Home Depot / 4	\$1,185,829	2,244	\$2,661,000,000
Publix / 15	\$1,145,406	1,014	\$1,161,442,000
Lowe's / 9	\$1,042,690	1,710	\$1,783,000,000
Kohl's / 22	\$936,673	1,058	\$991,000,000
Harris Teeter / 82	\$929,053	189	\$175,591,000
BJ's Wholesale Club / 33	\$706,417	187	\$132,100,000

The ranking of the top 10 chains based on an estimated average productivity per store yields an interesting comparative perspective: The average sales per store, based on fiscal 2009 net income divided by end-of-year store count, suggests the strength and long-term potential of these companies.

Remarkable Recoveries

Company / Top 100 Rank	2009 Net Income	2008 Net Loss
Supervalu / 12	\$393,000,000	[\$2,855,000,000]
Macy's / 17	\$350,000,000	[\$4,803,000,000]
Dick's Sporting Goods / 75	\$135,539,000	[\$39,865,000]
Michaels Stores / 81	\$107,000,000	[\$5,000,000]
Collective Brands / 89	\$82,700,000	[\$68,700,000]
Dillard's / 61	\$68,531,000	[\$241,065,000]
Belk / 88	\$67,100,000	[\$213,000,000]
Footlocker / 71	\$48,000,000	[\$80,000,000]
Burlington Coat Factory / 85	\$25,270,000	[\$191,583,000]

This is the Phoenix group of retail companies that experienced profound losses in fiscal 2008, but rebounded impressively in fiscal 2009 to record net profits.

Highest Net Income

Company / Top 100 Rank	Two-year Net Income	2009 Net Income	2008 Net Income
Wal-Mart Stores / 1	\$27,735,000,000	\$14,335,000,000	\$13,400,000,000
CVS / 7	\$7,912,000,000	\$4,159,000,000	\$3,753,000,000
The Home Depot / 4	\$4,921,000,000	\$2,661,000,000	\$2,260,000,000
Target / 5	\$4,702,000,000	\$2,488,000,000	\$2,214,000,000
eBay / 39	\$4,168,571,000	\$2,389,097,000	\$1,779,474,000
Walgreen / 6	\$4,163,000,000	\$2,006,000,000	\$2,157,000,000
Lowe's / 9	\$3,978,000,000	\$1,783,000,000	\$2,195,000,000
QVC / 50	\$3,067,000,000	\$1,565,000,000	\$1,502,000,000
Costco / 3	\$2,369,000,000	\$1,086,000,000	\$1,283,000,000
Best Buy / 8	\$2,320,000,000	\$1,317,000,000	\$1,003,000,000

If success is measured in hard dollars, then it is important to consider the ability of a company to sustain its earnings year-over-year. The Highest Net Income chains earned impressive net incomes in both fiscal year 2008 and 2009. (Privately held companies that do not report profits could not be considered for this ranking.)

Top 20 Restaurant Chains

The Top 20 Restaurant Chains are ranked based on actual, estimated or projected systemwide food and beverage sales (in U.S. only) for the companies' latest fiscal years, which is generally for the year ended or ending nearest Dec. 31, 2009.

U.S. Systemwide Foodservice Sales (By fiscal year, in millions)		
Chain/Parent	Latest	Preceding
1. McDonald's McDonald Corp., Oak Brook, Ill.	\$31,032.6	\$29,987.5
2. Subway Doctor's Associates Inc., Milford, Conn.	9,999.3	9,637.5
3. Burger King Burger King Holdings Inc., Miami	8,882.0	9,152.0
4. Wendy's Wendy's /Arby's Group Inc., Atlanta	7,919.0	8,009.0
5. Starbucks Coffee Starbucks Corp., Seattle	7,415.0	7,755.0
6. Taco Bell Yum! Brands Inc., Louisville, Ky.	6,800.0	6,700.0
7. Dunkin' Donuts Dunkin' Brands, Canton, Mass.	5,110.0	4,955.0
8. Pizza Hut Yum! Brands Inc., Louisville, Ky.	5,000.0	5,500.0
9. KFC Yum! Brands Inc., Louisville, Ky.	4,900.0	5,200.0
10. Applebee's Neighborhood Grill & Bar DineEquity Inc., Glendale, Calif.	4,372.5	4,486.5
11. Chili's Grill & Bar Brinker International Inc., Dallas	4,000.0	3,961.0
12. Sonic Drive-In Sonic Corp., Oklahoma City	3,837.4	3,811.1
13. Olive Garden Darden Restaurants Inc., Orlando, Fla.	3,365.0	3,271.0
14. Chick-fil-A Chick-fil-A Inc., Atlanta	3,217.0	2,962.3
15. Domino's Pizza Domino's Pizza Inc., Ann Arbor, Mich.	3,097.1	3,057.4
16. Jack in the Box Jack in the Box Inc., San Diego	3,072.1	3,048.3
17. Arby's Wendy's/Arby's Group Inc., Atlanta	2,983.0	3,254.0
18. Dairy Queen Berkshire Hathaway Inc., Omaha, Neb.	2,640.0	2,600.0
19. Panera Bread Panera Bread Co., Richmond Heights, Mo.	2,579.0	2,447.0
20. Int'l. House of Pancakes/IHOP Rest. DineEquity Inc., Glendale, Calif.	2,511.0	2,419.0

Source: Nation's Restaurant News research

Top 20 Restaurant Chains by Total Number of U.S. Units

The following listing ranks restaurant chains according to the total number of U.S. units they had at the end of their most recently completed fiscal year (December 2009 in most cases).

Chain	Total	Company-Owned	Franchised	Net Unit Change Latest Fiscal Year vs. Preceding
1. Subway	23,034	0	23,034	1,153
2. McDonald's	13,980	1,578	12,402	62
3. Starbucks	10,553	6,752	3,801	-439
4. Pizza Hut	7,566	649	6,917	2
5. Burger King	7,263	923	6,340	30
6. Dunkin' Donuts	6,566	0	6,566	171
7. Wendy's	5,877	1,255	4,622	-28
8. Taco Bell	5,604	1,296	4,308	16
9. KFC	5,162	855	4,307	-91
10. Domino's Pizza	4,927	466	4,461	-120
11. Dairy Queen	4,540	71	4,469	-44
12. Quizno's Sub	4,003	3	4,000	378
13. Arby's	3,596	1,169	2,427	-37
14. Sonic Drive-In	3,544	475	3,069	69
15. Papa John's Pizza	2,785	588	2,197	-10
16. Baskin-Robbins	2,597	0	2,597	-95
17. Little Caesars Pizza	2,512	415	2,100	0
18. Jack in the Box	2,212	1,190	1,022	54
19. Applebee's Neighborhood Grill & Bar	1,868	398	1,470	-7
20. Hardee's	1,703	475	1,228	-10

Top 10 Restaurant Chains by Growth in Total Number of U.S. Units

Chain	% Change Latest Fiscal Year vs. Preceding	Net Unit Change Latest Fiscal Year vs. Preceding
1. Five Guys Burgers and Fries	45.36%	171
2. Buffalo Wild Wings Grill & Bar	16.43	92
3. Chipotle Mexican Grill	14.23	119
4. Zaxby's	7.16	33
5. Bojangles' Famous Chicken 'n Biscuits	6.74	29
6. Texas Roadhouse	5.41	17
7. Jason's Deli	5.39	11
8. Panda Express	5.31	65
9. Subway	5.27	1,153
10. Culver's	4.82	19

Source: Nation's Restaurant News research

ACKNOWLEDGMENTS

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