

THE NATION'S RETAIL POWER PLAYERS / 2006



SAP **TOP**
1000
RETAILERS

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SAP TOP 100 R

The Nation's Retail Power Players — 2006

BY DAVID P. SCHULZ

SAP (www.sap.com/usa/retail) is proud to sponsor 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. SAP congratulates these retailers on their outstanding accomplishments.

SAP is quickly becoming the de facto standard software foundation for best-run retailers. We have been helping large and small retailers achieve the insight and agility they need to thrive in today's highly competitive market.



James McMurray

As the world's leading provider of business software solutions and with more than 30 years of experience, SAP is a recognized industry

leader with more than 2,900 retailers worldwide as customers. I'm proud to note that many of the Top 100 retailers are SAP customers, and we appreciate our relationship with them.

With its listing of headquarters, annual revenues, earnings and store counts, the SAP 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,

James McMurray
Senior Vice President, Retail
SAP Americas

Two mega-events — the acquisition of May Department Stores by Federated Department Stores and the merger of Sears and Kmart — serve as antipodal illustrations of where retailing sits today.

Even in a business climate fraught with anxiety over gasoline prices, inflation, taxes, interest rates, consumer-spending plans and the coming November elections, the Federated/May and Sears/Kmart unions are defining events.

Federated is now the dominant operator in what has become a narrow segment of retailing — department stores. With its two remaining chains, Macy's and Bloomingdale's, Federated can effectively compete on a national scale with any of the remaining department store operators, whether serving the carriage trade or the popular-priced market.

Federated has gone the way of most retailing companies, honing itself down to "core competencies" by concentrating solely on department stores. As such, don't expect May's tuxedo rental stores and bridal shops to stay in the Federated portfolio for very long.

In contrast, the wedding of Sears and Kmart brings together two opposites, whether they were attracted or not. This combination is a throwback to the days when retail companies had their fingers in many merchandising pies.

The new Sears Holdings operates mall-based department stores, discount stores, hardware stores, paint stores, and at the time of the merger was testing a supercenter concept that featured copious amounts of general merchandise and a limited assortment of supermarket goods.

Under Stamford, Conn., money man Edward Lampert, Sears Holdings has grown so quiet that it might qualify for membership in the Trappist brotherhood. There has been some



WHO, WHAT, WHY AND HOW

The Top 100 companies are listed by annual revenues, which may include estimates for private or closely-held companies.

The Power Players section has been expanded this year to include additional specialty categories — booksellers, office supplies stores, jewelers and convenience stores — and we have split value retailers into two groups — large format and small format.

Who is considered a Power Player? Any retailer with 2005 revenues equal to or greater than 10 percent of the revenues of the category leader.

RETAILERS



#46 / BED BATH & BEYOND



#12 / BEST BUY



#11 / CVS



#61 / ADVANCE AUTO PARTS



#94 / DICKS



#15 / PUBLIX



#4 / SEARS

swapping of merchandise, most notably such Sears best-sellers as Craftsman tools and DieHard batteries, finding their way onto Kmart shelves but so far Martha Stewart Everyday goods have not migrated to Sears.

A format dubbed Sears Essentials — an amalgamation of merchandise from Sears and Kmart housed in former Kmart locations — was launched, re-merchandised and aborted in less than a year's time. The next-best idea was to graft the Sears Grand name onto former Kmart locations that frequently are 40 percent to 50 percent smaller than the 200,000-sq.-ft. prototype Sears Grand units built in the pre-merger days.

Sears Holdings is very much a work in progress as Lam-pert ferociously cuts costs so the company can turn a prof-



it even as sales decline. Stores are closing, and bits and pieces (such as West Coast-based Orchard Supply Hardware) are being sold off. Where this adventure in retail conglomeration will end remains to be seen, but it will serve as an ex-

ample for the rest of retailing — one way or the other.

Sears Holdings is the fourth-largest retailer in the country, behind only Wal-Mart, Home Depot and Kroger in STORES magazine's annual ranking of the Top 100 Retailers.

STORES

David P. Schulz, a New York-based writer and editor, reports on U.S. and foreign retailers for several publica-tions.

POWER PLAYERS **LARGE-FORMAT RETAILERS**

Shoppers apparently don't know what's bad for them: They're flocking to large-format value retailers in increasing numbers, spending more money each year. The term "big-box retailer" used to be descriptive, but now it is pejorative in certain political and editorial circles. However, such is the disdain for industry leader Wal-Mart that fellow category power players Costco and Target are frequently characterized as being "not as bad."

Wal-Mart has spent more than a year polishing its image, not merely through public relations campaigns or "spinning" events but by undertaking projects and testing concepts close to the hearts of many of its critics. These include, but are not limited to, designing environmentally-friendly, energy-efficient stores, earmarking funds to assist small businesses in the communities into which it moves and introducing organic products into the supermarket mix at its supercenters.

Costco generally stays above the political fray — unless CEO Jim Sinegal is

bragging on his company's ability to cope with unionized workers and provide associates with a higher level of benefits than its peers. Costco is much more tight-lipped

when it comes to the business of its business, such as the new Costco Home store it is planning to open in Portland, Ore., early next year. This will be only the third free-standing home furnishings

store for the chain, though the first two (Kirkland, Wash., and Tempe, Ariz.) have been characterized as being successful when Costco executives talk to Wall Street analysts.

After many years of toe-dipping, Target says it is ready to jump into grocery retailing and supercenter building with both feet. To emphasize the point, the Minneapolis-based company held its annual meeting in May at a ready-to-open "store of the future" in the Atlanta suburb of Acworth, Ga.

Not only is Target stepping up the number and rate of SuperTarget store openings, but it also is retrofitting its traditional discount stores with expanded dry grocery and perishable food departments.



Company	2005 Revenues (000)	Comparable-Store Sales	Sales per Store
Wal-Mart	\$315,427,000	+3.1%	\$51,447,887
Costco	52,935,228	+7.0	114,826,958
Target	52,620,000	+5.6	37,666,428

Rank	Company Comment	Headquarters	2005 Revenues (000)	Y/Y Change	2005 Earnings (000)	Y/Y Change	No. of Stores	Y/Y Change
1	Wal-Mart <i>Trying to do all the right things (green stores, organic produce, community outreach) but since this is an election year, don't expect Wal-Mart-bashing to let up</i>	Bentonville, Ark.	\$315,427,000	9.5%	\$11,231,000	9.4%	6,131	18.2%
2	Home Depot <i>Double-digit profit growth took second place to executive compensation, same-store sales and other issues at a short — but contentious — stockholder meeting. Nardelli promises a better meeting next year</i>	Atlanta	81,511,000	11.5	5,838,000	16.7	2,042	8.0
3	Kroger <i>Selling off Ralphs supermarkets in northern California while adding gas pumps to 432 locations around the country; also beefing up private-label goods chainwide</i>	Cincinnati	60,552,900	7.3	958,000	N.P.	3,726	-1.0
4	Sears Holdings <i>Playing cards close to the vest may be good strategy for poker players or hedge fund managers, but it's an unusual way to turn around large, publicly-held retailing operations</i>	Hoffman Estates, Ill.	53,962,000	-2.9	789,000	-10.7	3,770	-2.2
5	Costco <i>Luxe reputation tarnished by flap over authenticity of Picasso drawings sold via e-commerce website; freestanding Costco Home does well, but no major rollout planned</i>	Issaquah, Wash.	52,935,228	10.0	1,063,092	20.5	461	4.3
6	Target <i>Has long operated in much the same way Wal-Mart does without drawing anywhere near the same criticism; neither has it appealed to investors the way WMT has</i>	Minneapolis	52,620,000	12.3	2,408,000	-24.7	1,397	6.8
7	Lowe's <i>Unlike rival Home Depot, Lowe's came roaring into 2006 and maintained that momentum through the first quarter, but then lowered expectations for the rest of the year</i>	Mooresville, N.C.	43,243,000	18.6	2,771,000	27.3	1,225	14.0
8	Walgreen <i>Not saying much about CVS' challenge, Walgreen continues to do things its way, which has been successful so far, including recent penetration of major urban markets</i>	Deerfield, Ill.	42,201,600	12.5	1,559,500	15.5	4,953	8.1
9	Albertsons <i>Burdened by unwise acquisitions with an unwieldy geographic sprawl and ferocious competition, directors decided the best thing the company could do was sell itself to competitors</i>	Boise, Idaho	40,358,000	1.4	446,000	0.5	2,500	0.5
10	Safeway <i>The lifestyle campaign now includes a line of private-label organic goods, but there might be a bigger boost coming from deflated competition following Albertsons' selloff</i>	Pleasanton, Calif.	38,416,000	7.2	561,100	0.2	1,775	-1.5
11	CVS <i>With pick-up of Osco and Sav-on in Albertsons' selloff, CVS has more locations than Walgreens and is close in sales but doesn't get the same respect from investors</i>	Woonsocket, R.I.	37,006,200	21.0	1,210,600	33.8	5,400	0.5
12	Best Buy <i>Has improved customer shopping experience, withstood Wal-Mart's move into big-ticket electronics and is riding consumer demand for big-screen TVs and MP3 players</i>	Minneapolis	30,848,000	12.2	1,140,000	25.0	941	13.4
13	Ahold USA <i>Parent company has lowered expectations for its retail operations worldwide, even after shedding Bruno's, Bi-Lo and some Tops units over past 12 months</i>	Quincy, Mass.	22,547,000	-18.3	974,000	N.P.	1,263	-15.2
14	Federated Dept. Stores <i>It's all about marketing, so Federated will be a two-brand retailer: Macy's for the masses and Bloomingdale's for consumers trading up. Still undecided: Lord & Taylor's fate</i>	Cincinnati	22,390,000	41.9	1,406,000	104.1	1,570	242.0
15	Publix <i>Successful, and growing, chain is willing to experiment: Sabor Hispanic market stores, Greenwise natural food units, Pix gas and c-stores and even selling jewelry, perfume in select locations</i>	Lakeland, Fla.	20,600,000	10.8	989,200	20.7	876	3.1
16	JCPenney <i>Feeling good enough to budget \$3 billion to build and renovate stores as Mike Ullman cuts deal with Sephora while trying to stay middle America's store</i>	Plano, Texas	18,781,000	3.8	1,088,000	107.6	1,019	-5.6
17	Rite Aid <i>Rather than going head-to-head with competition, Rite Aid is taking differentiation route and using Customer World beauty section as the vehicle</i>	Camp Hill, Pa.	17,270,968	2.7	1,273,006	320.9	3,320	-1.1
18	Delhaize America <i>Gross margins and operating margin improve a bit following conversion of Victory supermarkets acquired last year, though unconverted Kash n' Karry locations prove troublesome</i>	Salisbury, N.C.	16,600,000	4.8	N.A.	—	1,537	0.9
19	Staples <i>Office supply superstore pioneer — if not creator — celebrated 20th anniversary in May; now operates in Europe, Asia, North and South America with 69,000 associates worldwide</i>	Framingham, Mass.	16,078,852	11.3	834,409	17.8	1,780	6.0
20	TJX <i>Downsizing office jobs in Framingham and in U.K. while top executives take pay cuts so, says chairman Ben Cammarata, historical low cost structure can be maintained</i>	Framingham, Mass.	16,057,935	7.7	690,423	13.2	2,381	7.1

N.A. – Not available e – estimate N.P. – No percent due to previous year loss

POWER PLAYERS

DEPARTMENT STORES

For a retailing segment that so many seem so willing to relegate to yesteryear, department stores have been swirling with activity of late. The acquisition of May Department Stores by Federated Department Stores created a dominant chain to be known primarily as Macy's. Saks Inc. has proved to be a fading power player while dispersing whole divisions that have served to bulk up regional operators Belk and Bon-Ton Stores. The even larger amalgamation involving Sears and Kmart has resulted in obscuring differentiation between a Sears department store, a Kmart discount store and whatever lies in between. As a result, Sears Holdings is neither a department store nor a large-format value power player.

The Federated-May blockbuster deal still has a few loose ends hanging, including the eventual fate of May's Lord & Taylor chain, which could be purchased by a private investment firm or divvied up among Federated's competitors. Downsizing Saks has a similar problem: namely, what to do with its upscale



#16 / JCPENNEY

Parisian chain, not to mention the flagship Saks Fifth Avenue operation.

Federated hopes to complete the changeover to the Macy's nameplate at all locations by early September — paying special attention to the Chicago market, where the venerable Marshall Field's banner will be consigned to history. Focus

will then shift to post-merger tasks, particularly after Federated recorded a \$52 million Q1 loss due largely to integration and dispersal issues. Then comes the merchandise conversion, which CEO Terry Lundgren says is the major task being handled in the second and third quarters.

The turnaround at JCPenney was crafted under the direction of Allen Questrom, and now it is Mike Ullman's task to take the business to the next level. That includes spending \$3 billion on new, mostly non-mall stores and infrastructure and addressing the needs of core customers — whom Ullman identified as being 35- to 54-year-old consumers, about 80 percent of them female.



#41 / NORDSTROM



#14 / FEDERATED DEPT. STORES

Company	2005 Revenues (000)	Comparable-Store Sales	Sales per Store
Federated	\$22,390,000	N.A.	\$14,261,146
JCPenney	18,781,000	+2.9%	18,430,814
Kohl's	13,402,200	+3.4	18,309,016
Dillard's	7,798,000	Flat	24,368,750
Nordstrom	7,722,860	+6.0	41,298,716
Saks	5,953,352	+2.1	17,306,265

N.A. — not available

Rank	Company Comment	Headquarters	2005 Revenues (000)	Y/Y Change	2005 Earnings (000)	Y/Y Change	No. of Stores	Y/Y Change
21	Gap <i>Senior management earned no year-end bonuses as turnaround is taking longer than expected after new store design in Colorado fails to create much excitement</i>	San Francisco	16,023,000	-1.5%	1,113,000	-3.2%	3,053	2.0%
22	Office Depot <i>Although it acquired 70-store chain in South Korea earlier this year, company has retrenched by closing 50 domestic stores and merging its Office Depot and Viking catalogs</i>	Delray Beach, Fla.	14,278,944	5.3	273,792	-18.4	1,047	-12.0
23	Kohl's <i>Keeping ahead of JCPenney's expansion, Kohl's is opening 100 stores annually for next five years; new distribution center in Patterson, Calif., signals West Coast push</i>	Menomonee Falls, Wis.	13,402,200	14.5	842,000	19.7	732	14.9
24	7-Eleven^e <i>Taken private by its former affiliate, 7-Eleven Japan, which is using its well-developed Asian business model to put stores in densely-populated urban neighborhoods</i>	Dallas	13,000,000	6.2	N.A.	—	5,750	-0.9
25	Meijer^e <i>Opened largest supercenter in May, a 200,000-sq.-ft. unit in Plainfield, Ill., with groceries and usual general merchandise but also a huge electronics section in middle of store</i>	Grand Rapids, Mich.	12,500,000	8.7	N.A.	—	167	2.5
26	Toys "R" Us^e <i>Closing 87 stores this year, converting 12 of them to Babies "R" Us; paid one-third owner Vornado Realty \$52.8 million in Q4 earnings on sales of \$4.9 billion</i>	Wayne, N.J.	12,050,000	8.6	N.A.	—	1,204	-19.7
27	H.E.B.^e <i>Charles C. Butt calls it his store of the future with 40,000 non-food sku's in categories such as baby items, beauty, party goods, DVDs, CDs and games stuffed into 170,000 sq. ft.</i>	San Antonio, Texas	11,700,000	1.7	N.A.	—	305	-2.2
28	Circuit City <i>Improvements in supply chain and successful promotions underpinned good year-end push; this year it's shooting for higher margins and to regain market share</i>	Richmond, Va.	11,597,686	10.8	139,455	126.2	631	3.1
29	SuperValu Retail <i>This year's acquisition of Albertsons' supermarket operations move company into more than 50 new markets and store formats; management team was bulked up and reorganized in May</i>	Eden Prairie, Minn.	10,634,954	0.8	268,820	-39.8	1,381	-10.8
30	Winn-Dixie <i>Sale of Bahamas locations brings chains closer to the number of stores CEO Peter Lynch says he'd like to have in operation when company exits Chapter 11</i>	Jacksonville, Fla.	9,921,000	-6.7	(691)	—	913	-13.0
31	Limited Brands <i>Things keep stirring: New top merchant at Limited division; revamp in progress for Bath & Body Works stores; launch of Pink and extending Intimissimi into beauty</i>	Columbus, Ohio	9,668,559	2.8	549,837	-13.7	3,590	-5.0
32	Jean Coutu Group <i>Questions linger as to wisdom of Eckerd purchase a couple of years ago since neither store nor financial performance has perked up much in the aftermath</i>	Longueuil, Quebec	9,617,563	216.1	104,378	-21.3	2,243	258.9
33	OfficeMax <i>As synergy develops with former Boise Cascade operations, company may jettison warehouse store format if new concept unveiled in Minneapolis-St. Paul proves viable</i>	Itasca, Ill.	9,157,660	-31.0	(73,762)	—	950	1.6
34	Alimentation Couche-Tard^{e#} <i>Using the Circle K brand to establish a national presence in the U.S. rather than the night owl symbolism of its French-Canadian corporate name; look for more acquisitions</i>	Laval, Quebec	8,785,588	74.0	171,570	60.8	4,845	93.9
35	A&P <i>After selling profitable Canadian operation and unsuccessfully putting Farmer Jack stores on block, speculation turns to possible merger with Pathmark stores, also based in NJ</i>	Montvale, N.J.	8,740,347	-19.5	392,630	N.P.	405	-37.7
36	Dollar General <i>Opened 8,000th store earlier this year, though taking its time in rolling out the Market store format where 50% of the merchandise is fresh and perishable groceries</i>	Goodlettsville, Tenn.	8,582,237	12.0	350,155	1.7	8,000	9.3
37	Amazon.com <i>Nobody sells the way Amazon.com does: jewelry volume doubled last year; watch sales hit record levels; housewares and lawn and garden get additional exposure in print catalogs</i>	Seattle	8,490,000	22.7	359,000	-39.0	0	N.C.
38	Army Air Force Exchange <i>Operates 160 main stores, a lot of temporary locations and more than 2,050 restaurants for service personnel in the U.S., Puerto Rico, Europe, Guam and other Pacific points</i>	Dallas	8,258,000	3.4	327,000	-4.9	3,100	N.C.
39	BJ's Wholesale Club <i>In the midst of a stock buyback program to boost shareholder value; still paying for ill-fated House2Home venture on West Coast in the 1990s</i>	Natick, Mass.	7,949,934	7.8	128,533	12.4	165	6.5
40	Dillard's <i>Merger and dispersals among department store companies is an opportunity to become America's favorite destination for fashion excitement, Dillard family tells shareholders</i>	Little Rock, Ark.	7,798,000	-0.2	121,500	3.3	330	0.3

N.A. – Not available e – estimate # – estimate in U.S. dollars N.P. – No percent due to previous year loss N.C. – No change

POWER PLAYERS APPAREL

After years of stagnant-to-depressed pricing in women's apparel, retailers are now able to increase margin without triggering consumer resistance. In March, the Labor Department's Consumer Price Index showed a 2.9 percent monthly increase in apparel prices — the second-largest jump since monthly records started being kept in 1978. This was a reversal of a trend capped by last year's 1.1 percent decline in apparel prices — the eighth straight year in which apparel prices dropped.

With the slump apparently over, there are plenty of retailers eager for their turn at bat:

Gap is evoking the 1960s — the company's formative era — in advertising and promotions aimed at luring back former customers. "What Gap is trying to do is go back to what we've been known and loved for," says spokeswoman Erika Archambault. "It's a nod back to our heritage."



#21 / GAP



#90 / CHARMING SHOPPES



TALBOTS

Limited Brands, which is transforming itself into a beauty business, still has a large stake in the apparel arena. This spring the hierarchy at Victoria's Secret was restructured to pave the way to becoming a \$10 billion business. In addition, a new chief merchant was appointed for the Limited Stores division.

Among the other apparel power players, Abercrombie & Fitch is under SEC scrutiny that may be related to shareholder lawsuits alleging company executives misled investors in order to boost the stock price; Burlington Coat Factory is being taken private after the founding Milstein family auctioned off its stake to Bain Capital; and Talbots completed its acquisition of J.Jill, with plans to open 46 J.Jill and 50 Talbots units this year.

Company	2005 Revenues (000)	Comparable-Store Sales	Sales per Store
Gap	\$16,023,000	-5.0%	\$5,248,280
MarMaxx	10,956,788	+2.0	7,238,980
Limited	9,668,559	-1.0	2,693,191
Ross Stores	4,944,179	+6.0	6,735,938
Burlington Coat	3,199,840	+6.3	8,839,337
Abercrombie & Fitch	2,784,711	+26.0	3,272,281
Charming Shoppes	2,755,725	+3.0	1,232,435
American Eagle	2,309,371	+15.5	2,854,599
AnnTaylor	2,073,146	+0.1	2,515,954
Talbots	1,806,606	+2.6	1,714,047
Men's Wearhouse	1,724,898	+8.4*	2,399,023
The Children's Place	1,668,736	+9.0#	1,492,608

* U.S. stores only # The Children's Place units only

Rank	Company Comment	Headquarters	2005 Revenues (000)	Y/Y Change	2005 Earnings (000)	Y/Y Change	No. of Stores	Y/Y Change
41	Nordstrom <i>Slowly introducing designer panache while bulking up in Boston with a new store a year through 2010 and eyeing Federated cast-off locations in California</i>	Seattle	\$7,722,860	8.3%	\$551,339	40.1%	187	3.3%
42	Menard^e <i>John Menard has settled with the IRS and put his tax troubles behind him; next challenge is how to handle the slowdown in homebuilding and remodels</i>	Eau Claire, Wis.	6,600,000	8.2	N.A.	—	205	12.6
43	QVC <i>A jewel in John Malone's Liberty Media portfolio, QVC attracts manufacturers as well as retailers and other entrepreneurs in setting pace for TV-based home shopping industry</i>	West Chester, Pa.	6,501,000	14.3	921,000	21.2	0	N.C.
44	Saks <i>Northern department stores were sold to Bon-Ton Stores, Parisian is on the block and Libby Lu is still in the stable, but what will happen to Saks Fifth Avenue?</i>	Birmingham, Ala.	5,953,352	-7.5	22,348	-63.4	344	-10.9
45	Family Dollar <i>Early returns on company's urban initiative program are in and the effort has had a positive effect on improving employee turnover and reducing shrinkage in metro market stores</i>	Mathews, N.C.	5,824,808	10.3	217,509	-15.7	5,898	7.9
46	Bed Bath & Beyond <i>Rolling out stores, including 17 units in final quarter last year, but still moving cautiously with subsidiaries Harmon Stores and Christmas Tree Shops</i>	Union, N.J.	5,809,562	12.9	572,847	13.4	809	22.0
47	AutoZone <i>The quiet corner of Ed Lampert's retail empire (he also controls Sears), AutoZone has been criticized for not plowing enough money back into stores</i>	Memphis, Tenn.	5,710,882	1.3	571,019	0.9	3,613	3.7
48	Foot Locker <i>Domestic stores outperformed international units last year as company opened 119 new stores and remodeled or replaced 316 others; opening 175 and closing 110 units this year</i>	New York	5,653,000	5.6	264,000	-9.9	3,921	-1.2
49	Giant Eagle^e <i>Staunch competitor in its western Pa./northeastern Ohio markets; makes very effective use of its own branded gasoline-related promotions for shoppers</i>	Pittsburgh	5,450,000	4.9	N.A.	—	218	1.4
50	Barnes & Noble <i>CEO Stephen Riggio: Reports of the book industry's demise have been greatly exaggerated over the last 20 years and they've been unsupported by any sound research</i>	New York	5,103,004	4.7	146,681	2.3	799	-2.6
51	RadioShack <i>CEO Dave Edmondson leaves after his fudged academic credentials are exposed and 480 stores are tapped for closing, but shareholders hear that company's turnaround is a work in progress</i>	Fort Worth, Texas	5,081,700	5.0	265,300	-21.3	5,749	1.8
52	Hy-Vee^e <i>Employee-owned company opened first in-store medical clinic in March in Columbus, Neb., and plans to add at least another nine before the end of the year</i>	West Des Moines, Iowa	5,000,000	7.5	N.A.	—	225	1.8
53	Wawa^e <i>Privately-owned company owns and operates its own dairy, which predates the first convenience stores by 62 years; nearly 30% of locations sell gasoline</i>	Wawa, Pa.	5,000,000	13.6	N.A.	—	542	3.2
54	Ross Stores <i>Took markdowns to drive sales, though margins crept up at end of year; added 75 Ross locations, 10 dd's Discounts and a new warehouse last year</i>	Pleasanton, Calif.	4,944,179	16.6	199,632	18.4	734	14.9
55	Whole Foods Markets <i>Didn't create natural and organic food movement, but popularized and capitalized on it to such an extent that competitors (including Wal-Mart) had to move on it</i>	Austin, Texas	4,701,300	21.6	136,400	-0.5	180	10.4
56	Longs Drug Stores <i>A lot less California dreaming and more tending to business attentively now that CVS is moving into the territory via purchase of Sav-on stores</i>	Walnut Creek, Calif.	4,670,303	1.4	73,884	102.1	477	1.1
57	Trader Joe's^e <i>Took its cheap but exotic offerings to Manhattan this year, going head-to-head with nearby Whole Foods with a store three times as big</i>	Monrovia, Calif.	4,500,000	12.5	N.A.	—	250	8.7
58	Aldi^e <i>Expanding in Michigan where Kroger, Meijer and, particularly, A&P's Farmer Jack stores have had rough going of late; opening a total of 40 stores nationwide this year</i>	Batavia, Ill.	4,500,000	16.9	N.A.	—	800	2.7
59	Big Lots <i>Closing 126 underperforming stores, including all 41 freestanding furniture locations, at a cost of \$60 million; these are in addition to 40 units shuttered early last year</i>	Columbus, Ohio	4,429,905	6.8	(10,088)	—	1,401	-6.7
60	The Pantry <i>Keeps growing by buying small chains: 38 Shop-A-Snacks, 39 Interstate Food Stops, 19 TruBuy and On-the-Run stores, 13 Speedmarts and 23 Sentry Good units in the last year</i>	Sanford, N.C.	4,429,239	26.8	57,810	267.6	1,400	2.9

N.A. – Not available e – estimate N.C. – No change

POWER PLAYERS

HOME IMPROVEMENT

There couldn't be a bigger contrast between the two companies that dominate the home improvement segment.

Home Depot invented the warehouse-sized home center concept and quickly became — and remains — the biggest frog in that pond. Lowe's was a good-sized company operating neighborhood lumberyards in small and mid-sized towns before it responded to the challenge Home Depot presented.

Both have benefited from the booming housing and homebuilding markets of the past few years, but now that those markets are slowing down, the warts are beginning to show.

Lowe's is coming off a strong 2005 and a smashing first quarter, but has acknowledged that business will probably be slower this summer and that 2006 isn't likely to end on a high note.

Shareholders approved annual and long-term incentive plans at the company's annual meeting in late May. They also heard chairman, president and CEO Robert A. Niblock say that "most economists expect employment and income growth to remain strong, which, we feel, support continued home improvement spending. More than two million people have joined the work force in the past year and the unemployment rate continues to decline, while both average wages and disposable personal income are up year over year. In addition, young adults are buying homes at a faster rate than previous generations, contributing to record levels of home ownership in the U.S."



#2 / HOME DEPOT

At Home Depot, complaints are being voiced that since Bob Nardelli was brought in six years ago as chairman and CEO, the value of the company's stock has fallen about 15 percent — while he has taken roughly \$200 million in compensation. Much of the criticism came from union leaders whose pension funds are Home Depot investors. One of the reasons they were upset: there was no opportunity to quiz Nardelli on any subject.

Subsequently, shareholders' "pay rage" — as media reports phrased it — precipitated a change in the way directors are elected, and "Consistent with the way we run our company, in which we listen, learn and lead, we will return to our traditional format for next year's annual shareholders meeting," Nardelli said.

Company	2005 Revenues (000)	Comparable-Store Sales	Sales per Store
Home Depot	\$81,511,000	+3.8%	\$39,917,238
Lowe's	42,243,000	+5.5	34,484,081



#7 / LOWE'S

Rank	Company Comment	Headquarters	2005 Revenues (000)	Y/Y Change	2005 Earnings (000)	Y/Y Change	No. of Stores	Y/Y Change
61	Advance Auto Parts <i>Ratings agencies affirm company's improving finances even after acquisition of 61-unit Autopart International and 19 Lappen Auto Parts stores, both Massachusetts-based</i>	Roanoke, Va.	\$4,264,971	13.1%	\$234,725	24.9%	2,872	8.3%
62	CompUSA^e <i>Recently-launched Techknowledgist services have raised company profile, easing transition for Tony Weiss, the former executive vice president of business services, who was named chief executive in May</i>	Dallas	4,250,000	1.8	N.A.	—	240	6.7
63	Stock Building Supply <i>Provides major channel for parent Wolseley's products; Reading, England-based Wolseley is world-class distributor of plumbing and heating supplies</i>	Raleigh, N.C.	4,163,600	16.3	242,300	33.0	287	19.6
64	Luxtotta Retail <i>Acquiring 74-unit Shoppers Optical chain in Canada for its Pearle Vision subsidiary, giving it 114 stores north of the border to go with 154 Luxtotta retail units in the country</i>	Cincinnati	4,104,280	5.5	470,880	12.9	4,636	2.5
65	Borders Group <i>Upgrading older units and building new superstores with revamped layouts that are already producing results good enough for Wall Street types to take notice</i>	Ann Arbor, Mich.	4,079,200	3.8	101,000	-23.4	1,210	0.1
66	RaceTrac Petroleum^e <i>Founded in 1934 and still owned by Bosch family, some locations franchised; opening 35-45 stores this year</i>	Smyrna, Ga.	4,000,000	20.8	N.A.	—	525	1.9
67	Pathmark <i>Bold-face celebrity and FOB (Clinton) Ron Burkle has Yucaipa investment firm calling shots for struggling chain – and not all shareholders are happy</i>	Carteret, N.J.	3,977,000	0.0	(14,600)	—	141	-1.4
68	Neiman Marcus Group <i>Luxury has been hot and major rival Saks Fifth Avenue is reeling, so company is looking to fill existing markets and explore new territory with sub 100,000-sq.-ft. stores</i>	Dallas	3,821,924	8.4	248,824	21.5	37	0.0
69	PETSMART <i>The country's animal companion population is booming and PETSMART keeps growing, but supermarkets and discounters like Wal-Mart are eating into specialty chain's market share</i>	Phoenix	3,760,499	11.8	182,490	15.9	825	13.6
70	Wegman's^e <i>The torch was passed when Danny Wegman yielded reins to daughter Colleen only months before chairman Robert Wegman died this spring</i>	Rochester, N.Y.	3,750,000	7.1	N.A.	—	88	2.3
71	Michaels Stores <i>The private equity firms began circling after the company began exploring strategic alternatives so it could grow market share and improve customer service and overall performance</i>	Irving, Texas	3,676,365	9.3	131,024	-35.1	1,072	5.9
72	Williams-Sonoma <i>Hold Everything couldn't hold its own, but a lot of other concepts are moving ahead, including Williams-Sonoma Home, Pottery Barn Bed & Bath, Pbteen and West Elm</i>	San Francisco	3,538,947	12.8	214,866	12.4	570	3.3
73	Casey's General Stores <i>Sticking to its approach of growth through acquisition, including January's purchase of 51-location Gas 'n Shop of Lincoln, Neb.; strategy has depressing effect on earnings</i>	Ankeny, Iowa	3,515,145	25.3	60,468	64.5	1,409	5.4
74	Sheetz^e <i>Family-owned and operated 54-year-old convenience store chain is rolling out ATMs this year that dispense cash at no fee and also sell postage stamps</i>	Altoona, Pa.	3,500,000	12.9	N.A.	—	320	1.6
75	Dollar Tree Stores <i>Snagged 138-store Deal\$ chain during SuperValu's maneuvering to buy Albertsons' supermarkets; new stores will test flexibility of chain's dollar price ceiling</i>	Chesapeake, Va.	3,393,924	8.6	173,918	-3.5	2,914	6.5
76	Stater Bros. <i>Opened five stores last year and should at least match that number by September year-end as it continues to mine the Inland Empire</i>	Colton, Calif.	3,372,243	-9.0	26,246	-63.3	162	1.3
77	Raley's^e <i>After all kinds of rumors and reports, company said it wasn't interested in buying any Kroger stores in northern California nor was it interested in putting itself up for sale</i>	W. Sacramento, Calif.	3,300,000	1.5	N.A.	—	135	8.7
78	ShopKo/Pamida^e <i>ShopKo's private equity fund owners executed the largest sale-leaseback real estate deal retailing has seen, an \$815.3 million deal between Spirit Finance and Sun Capital Partners</i>	Green Bay, Wis.	3,200,000	0.6	N.A.	—	351	-2.5
79	Burlington Coat Factory <i>Founding Milstein family put chain up for auction late last year; winning bidder was Boston private investment firm Bain Capital Partners</i>	Burlington, N.J.	3,199,840	11.9	105,033	54.5	362	3.7
80	Roundy's^e <i>Continued its shift away from grocery distribution to focus on retail business under banners such as Pick 'n Save, Copp's and Rainbow Foods</i>	Pewaukee, Wis.	3,150,000	5.9	N.A.	—	135	7.2

N.A. – Not available e – estimate N.C. – No change

Things are moving along just fine in the world of office supplies selling, with the sector sporting sales-gains percentages in the high teens, matching earnings-per-share increases. On the negative side, the bricks-and-mortar channel is not contributing much to these increases.

The best performer among the chains is Staples, which pushed growth through same-store sales improvements and the addition of 99 new stores in 2005, a quarter of them in the greater Chicago area. The company is targeting similar performance this year, with earnings-per-share projected to grow 15 to 20 percent. One speed bump: Staples was fined \$7.4 million by the federal government after it admitted falsifying reports involving the sale of goods

manufactured in certain countries in violation of trade agreements.

Office Depot's international business fell slightly in the early months of this year, in large part because of currency translations involving a cheapening U. S. dollar. The overseas decline was more than offset by a pick-up in North American revenues, however. Office Depot has undertaken a \$500 million stock buyback program in an effort to boost shareholder value after taking charges for asset impairments last year while closing 27 stores, 16 in North America.

OfficeMax also was in store-closing mode, completing the shuttering of 110 stores at about the same time it was cutting the ribbon on the first of nine new concept stores in Minneapolis/St. Paul. In an effort to shed the warehouse store ambience, it has introduced bulk dump bins in gold, orange, blue and green to hold inventory basics such as paper clips, pens, rubber bands and tape. Technology is concentrated in an "electronics hub" at the center of the store, and there is now an OfficeMax Cafe where the coffee is the same price — free — as Wi-Fi connectivity.

OfficeMax also is consolidating front-office functions, closing its former executive offices in Shaker Heights, Ohio, and moving corporate headquarters to Naperville, Ill.

#33 / OFFICE MAX



#19 / STAPLES



Company	2005 Revenues (000)	Comparable-Store Sales	Sales per Store
Staples	\$16,078,852	+3.0%	\$9,033,062
Office Depot	14,278,944	+3.0	13,637,959
OfficeMax	9,157,660	-1.0	9,639,642

Rank	Company Comment	Headquarters	2005 Revenues (000)	Y/Y Change	2005 Earnings (000)	Y/Y Change	No. of Stores	Y/Y Change
81	Game Stop <i>Merger with EB Games last year boosted sales mightily, though comp-store sales dipped 1.4%; 400 new stores opening this year, with 600 expected in each of next two years</i>	Grapevine, Texas	\$3,091,783	67.8%	\$100,784	65.4%	4,490	145.9%
82	HSN <i>Todd English is latest chef to find out that cookware really sells on HSN, formerly Home Shopping Network, a subsidiary of Barry Diller's Interactive Corp.</i>	St. Petersburg, Fla.	3,050,900	28.1	282,000	41.7	0	N.C.
83	Mervyn's^e <i>Hedge fund owners have Vanessa Castagna overseeing the shuttering of stores in Pacific Northwest but opening new units this year in Texas, Arizona and both ends of California</i>	Hayward, Calif.	3,000,000	-11.8	N.A.	—	187	-18.0
84	Price Chopper^e <i>Picked up six locations in the Adirondacks and central New York State as Ahold USA's Tops Markets retreats back to its Buffalo-area core markets</i>	Schenectady, N.Y.	3,000,000	17.6	N.A.	—	118	11.3
85	Belk <i>Bigger and more profitable; plans to concentrate expansion in suburbs of major metropolitan areas in the Southeast and South, backed by new warehouse in Byram, Miss.</i>	Charlotte, N.C.	2,970,000	21.2	136,900	10.3	273	17.7
86	Retail Ventures <i>Controlled by Schottenstein family with 55% of stock; parent of off-price chains Filene's Basement, DSW and Value City Department Stores</i>	Columbus, Ohio	2,918,371	6.5	(113,488)	—	339	8.0
87	Cumberland Farms^e <i>Like many convenience store chains, still owned by the founding family; takes name from Cumberland, R.I., dairy run by Vasilios and Aphrodite Haseotes</i>	Canton, Mass.	2,900,000	16.0	N.A.	—	1,100	N.C.
88	Abercrombie & Fitch <i>SEC investigation into stock trading has stopped A&F from steaming ahead, eyeing overseas markets and opening on Fifth Avenue not far from where its pre-Limited flagship was</i>	New Albany, Ohio	2,784,711	37.8	333,984	54.4	851	8.1
89	Berkshire-Hathaway Retail <i>Jordan's Furniture in Boston area hit with big IKEA opening in Q4 last year, while out West, R.C. Willey Home Furnishings has major expansion plans for California's central valley</i>	Omaha, Neb.	2,769,000	6.5	201,000	23.3	373	0.8
90	Charming Shoppes <i>Lane Bryant operation is extending Cacique lingerie brand into a chain of stores, with 50 locations (half the size of a Lane Bryant) slated to open by year's end</i>	Bensalem, Pa.	2,755,725	18.0	99,357	54.0	2,236	0.7
91	Linens 'n Things <i>Shuffling of executives now that company has been taken private; one thing that hasn't changed is the uphill struggle against Bed Bath & Beyond juggernaut</i>	Clifton, N.J.	2,700,000	1.4	N.A.	—	527	7.1
92	Payless ShoeSource <i>Long-standing goal is to generate same-store sales in low single digits each year; capital budget doubled this year for 80 new stores and 130 replacement units</i>	Topeka, Kan.	2,667,300	0.4	66,400	N.P.	4,605	-0.8
93	Harris Teeter <i>Picked up Winn-Dixie locations here and there in core Carolina markets, but not so many as to tax well-tuned logistics and support operations</i>	Charlotte, N.C.	2,644,976	2.8	113,580	8.8	145	5.1
94	Dick's Sporting Goods <i>Looking for much improvement this fiscal year after raising earnings guidance in May; plans call for 40 new stores this year, eight of which opened in Q1</i>	Pittsburgh	2,624,987	24.4	72,980	9.1	255	9.0
95	Sports Authority <i>TSA has moved its headquarters around the country and changed ownership more often than any other retailer in the last 25 years; now belongs to Leonard Green & Partners</i>	Englewood, Colo.	2,509,330	3.0	55,417	65.6	398	1.5
96	Tiffany <i>Active in international arena, signing No Dirty Gold, agreement designed to improve conditions in mines; expanding in mainland China (Shanghai, Beijing) and Macau</i>	New York	2,395,153	8.6	254,655	-16.3	154	5.6
97	Zale <i>CEO Mary Forte leaves after a rough 2005 holiday selling season, then heads roll after SEC begins investigation into alleged multiple accounting irregularities</i>	Dallas	2,383,066	3.4	106,775	0.3	2,345	4.9
98	American Eagle Outfitters <i>Company broke ground for new HQ in Pittsburgh suburbs; this year brings unveiling of Martin + Osa format for 25- to 40-year-olds and fall launch of aerie lingerie line</i>	Warrendale, Pa.	2,309,371	22.8	294,153	37.9	869	2.7
99	Sterling Jewelers <i>Sparkling Christmas selling season for U.S. arm of U.K.-based Signet Group, outpacing competition (mainly Zale); sports 4.8% same-store sales growth</i>	Akron, Ohio	2,309,000	12.1	300,500	17.3	1,221	5.6
100	Ingles Markets <i>Has shown sales growth in each of its 42 years though earnings haven't been as consistent; comps rose 6.1% as company opened four stores and closed three</i>	Asheville, N.C.	2,273,941	6.4	25,570	-11.1	198	0.5

N.A. – Not available e – estimate N.P. – No percent due to previous year loss N.C. – No change

POWER PLAYERS CONVENIENCE STORES

The state of the c-store industry is robust, with sales rising 20.2 percent last year to \$474.3 billion, according to the National Association of Convenience Stores (NACS). Escalating gasoline prices pushed fuel revenues up 25.5 percent, while in-store merchandise sales grew 9.7 percent and foodservice revenues rose 8.8 percent. Industry-wide pre-tax profits grew 17.1 percent to \$5.84 billion, or 1.2 percent of total sales.

The typical convenience store is only 1,500 to 2,500 sq. ft., exclusive of the fuel pumps that can be found at 85 percent of all c-store locations, according to Research and Markets, a retail data-collecting firm

based in Dublin, Ireland.

Fuel accounted for 69.4 percent of sales dollars in 2005; in store, cigarettes and other tobacco products were the top sellers, generating 28.2 percent of sales, followed by packaged beverages (13.3 percent), foodservice and dispensed beverages (11.9 percent) and beer (11.7 percent), according

Company	2005 Revenues (000)	Comp-Store Gas Sales	Comp-Store In-Store Sales	Sales per Store
7 Eleven#	\$13,000,000	N.A.	N.A.	\$2,260,870
Alimentation Couche-Tard*	8,785,588	N.A.	N.A.	171,570
Wawa#	5,000,000	N.A.	N.A.	1,086,957
The Pantry	4,429,239	+4.7%	+5.3%	3,163,742
Racetrac Petroleum#	4,000,000	N.A.	N.A.	761,905
Casey's General Stores	3,515,145	4.4	5.7	2,494,777
Sheetz#	3,500,000	N.A.	N.A.	1,093,750
Cumberland Farms#	2,900,000	N.A.	N.A.	2,636,362

estimate * for FY ended April 2005

POWER PLAYERS DRUG STORES

CVS has bulked up a couple of times in recent years in its effort to gain clear-cut supremacy in the drug store segment. Two years ago it acquired 1,270 Eckerd units when JCPenney decided to get out of drug store retailing. Then earlier this year, CVS was a big winner in the Albertsons dispersal sweepstakes: it picked up 700 freestanding Osco and Sav-on stores, strengthening its hand in western states and providing CVS with some prime real estate in Walgreen's home territory.

CVS currently operates 125 stores in Illinois to Walgreen's 486. With the Osco/Sav-on transaction (expected to close this month), CVS will add 74 locations in greater Chicago. CVS hopes to have most, if not all, of the former Albertsons units converted to its banner by March 2007.

Walgreen appears resigned to conceding the number-of-doors title to CVS, and is more concerned with retaining



#17 / RITE-AID

its status as the industry's top financial performer — even if it eventually slips to second place in revenues. (The Osco/Sav-on stores should add about \$5.5 billion to CVS's annual sales, putting it within striking distance of Walgreen.)

As successful as CVS has been at expanding in big chunks via acquisitions, the Canadian-based Jean Coutu Group is experiencing indigestion after biting off more than it could chew — namely, the 1,549 Eckerd stores it bought for \$2.4 billion at the same time CVS purchased its Eckerd units. Coutu put the units under the control of its Brooks' Pharmacy division, but has not experienced the

synergy or payoff that CVS has. In fact, Coutu has been selling off real estate assets to keep the company afloat, and the board of directors brought back 78-year-old founder Jean Coutu to run things, pushing aside his sons Francois and Michel in the process.

Company	2005 Revenues (000)	Comp-Store Rx Sales	Comp-Store Front-End Sales	Sales per Store
Walgreen	\$42,201,600	+9.8%	+8.2%	\$8,520,418
CVS	37,006,200	+7.0	+6.5	6,853,000
Rite Aid	17,270,968	+0.3	+2.6	5,202,099
Jean Coutu	9,617,563	+3.8*	+3.1*	4,287,812
Longs	4,670,303	+3.2	+1.7	9,790,992

* U.S. stores only



to the NACS data.

The c-store power players are a diverse bunch, with four companies privately owned, one controlled by a Canadian company and another, 7-Eleven, both private and foreign-owned. (Convenience chains operated by major petroleum refiners and marketers were not included in the STORES survey.)

Iconic 7-Eleven, which certainly popularized convenience retailing, was bought out by its Japanese affiliate last fall for \$1.38 billion. The new owners have cut back on expansion plans and reallocated the money to remerchandising and renovating existing stores and upgrading the company's supply chain infrastructure.

The three public companies among the power players have been among the fastest-growing. Alimentation Couche-Tard is expanding its Circle K division in the United States with the aim of creating a national brand, while both The Pantry and Casey's General Stores have grown primarily by acquiring single-market or regional companies operating fewer than a hundred locations.

#24 / 7-ELEVEN

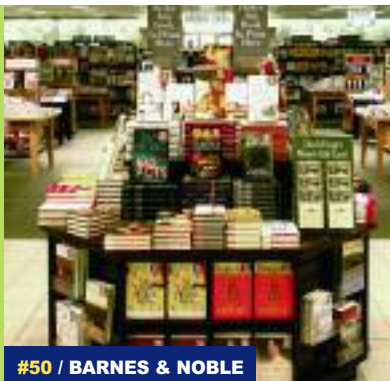
POWER PLAYERS BOOKSELLERS

Bookselling is still a highly fragmented business, with industry leader Barnes & Noble commanding only a 15 percent share of the domestic market, according to Research and Markets, the Dublin, Ireland-based data-mining firm.

Adding to the fragmentation is the fact that so many merchants in other retailing segments — from e-commerce leader Amazon.com to neighborhood supermarkets and drug stores — include books among their offerings.

Barnes & Noble, which claims the title of "world's largest bookseller," has seen its fortunes rise, with shares of its stock appreciating more than 25 percent over the last 18 months. Part of the reason is the overall good health of the book publishing trade and the strength of some individual best-sellers, such as "The DaVinci Code" and the Harry Potter series.

"Reports of the book industry's demise have been greatly exaggerated over the last 20 years, and they've been



#50 / BARNES & NOBLE

unsupported by any sound research," notes Stephen Riggio, CEO of Barnes & Noble. "The fact is the industry has never had a single year of sales decline. It's a stable business and it's resilient in the face of competition for people's time from TV, Internet and video games."

Among the forces boosting book sales, says Riggio, is the fact that

book buyers tend to be older, and 40-plus is "the fastest-growing segment of the population." At the other end of the age spectrum, a post-9/11 baby boom has spawned an increase in sales of children's books.

"A bookstore is a place where we can really have relationships with people for their entire lives," Riggio says.

Borders Group, which also owns the 80-unit Paperchase stationery chain in the U.K., is opening two bookstores in Ireland this fall. Stateside, it has spent the past couple of years remodeling its stores, improving the layout and upgrading the cafes. The revamped units have experienced significant sales improvement and helped the company to a strong showing in the fourth quarter of 2005.

Follett's, headquartered in River Grove, Ill., operates college bookstores and an e-commerce site specializing in textbooks, but also has a foothold in producing instructional and other educational materials.

Company	2005 Revenues (000)	Comparable-Store Sales	Sales per Store
Barnes & Noble	\$5,103,004	+0.9%	\$6,386,738
Borders Group	4,079,200	+1.1*	3,396,503
Follett's**	2,100,000	N.A.	3,000,000

* domestic superstores only

** estimate includes non-bookselling business

POWER PLAYERS SUPERMARKETS

Right-sizing" was a buzzword employed several years ago by companies that were pruning operations and furloughing employees. For supermarket power players Kroger and Safeway, however, there may be no such thing as "right size": They are at once too small to do hand-to-hand combat with Wal-Mart, but much too big to participate in the biggest fire sale in the history of supermarketing.

Kroger and Safeway kept to the sidelines for fear of running afoul of the Federal Trade Commission and the trailing posse of state attorneys general during the bidding process for Albertsons' far-flung network of supermarkets, drug stores and combo units. The winning bidder on the supermarket and combo side was SuperValu, not particularly known for its retailing acumen nor well-versed in handling the diverse challenges of operating in high-middle and upper-income communities.

The acquisition takes SuperValu into more than 50 new markets, according to industry research firm Trade Dimensions. Certainly the challenge of operating a chain such as Bristol Farms in Southern California will be completely new for SuperValu, which is more familiar with operating no-frills, limited-assortment and other formats directed at price-conscious consumers.

Though neither Safeway nor Kroger could pick up any choice locations from Albertsons, Safeway would still



#29 / SUPERVALU

seem to be a potential beneficiary of the sale, if only in the form of reduced competition. Safeway's territory had a much greater overlap with Albertsons than did Kroger, which has been closing stores in Northern California for the last year. Safeway could press for market share in select areas while SuperValu comes up to speed following the change in ownership.

In addition, some 655 of Albertsons' grocery store locations wound up in the control of a group of investment firms and real estate companies lead by Cerberus Capital Management and Kimco. Plans for these stores have not been

announced, other than that they will be kept in operation until decisions are made. Such uncertainty also works in Safeway's favor.



#13 / A HOLD

Company	2005 Revenues (000)	Comparable-Store Sales	Sales per Store
Kroger	\$60,552,900	+3.5%*	\$14,973,308
Albertsons	40,358,000	+0.4	16,264,607
Safeway	38,416,000	+5.9	19,791,657
Ahold USA #	22,547,000	N.A.	18,468,770
Publix	20,600,000	+5.4	22,490,286
Delhaize America	16,600,000	+1.5	10,427,835
H. E. B. #	11,700,000	N.A.	38,360,655
SuperValu Retail	10,634,000	+1.0	17,437,153
Winn-Dixie	9,921,000	-4.9	10,866,374
A&P	8,740,347	+0.5	21,581,103

estimate * identical supermarkets without fuel N.A.— not available

POWER PLAYERS

SMALL-FORMAT VALUE RETAILERS

Dollar stores were at one time a staple of the sleepy towns overlooked by regional department stores and national chains. Today they are a retail industry powerhouse, at once outflanking mighty Wal-Mart while at the same time nibbling away at core supermarket categories. And if gasoline prices keep consumers out of their vehicles and away from convenience stores, dollar stores — and other small-format value retailers — are ready to step in and fill customer demands for tobacco products, beverages and other consumables.

in this sub-group is Dollar Tree Stores, which has become a national chain by building and buying stores. Earlier this year the company picked up 138 Deal\$ closeout stores from SuperValu, as the Minneapolis-based grocery distributor and retailer maneuvered to purchase supermarkets and combo stores in the Albertsons dispersal sale. Though an extreme value retailer, Deal\$ has never been a single-price operator and will provide Dollar Tree Stores the opportunity to break through the \$1 price ceiling.

Also included in the small-format value category are Fred's, the discount store-cum-pharmacy chain headquartered in Memphis, Tenn., which had a

rough time dealing with changes in both state and federal prescription plans, and Dallas-based Tuesday Morning, which specializes in luxury brand closeout merchandise — and whose financial performance of late had the founder of hedge fund Chapman Capital suggesting that it consider a buyout offer to be taken private.

Company	2005 Revenues (000)	Comparable-Store Sales	Sales per Store
Dollar General	\$8,582,237	+2.0%	\$10,727,796
Family Dollar	5,824,808	+2.3	9,875,904
Dollar Tree Stores	3,393,924	-0.8	1,164,959
Fred's	1,529,342	+1.2	2,360,096
Tuesday Morning	931,827	-4.0	1,272,988

With Dollar General and Family Dollar leading the way, dollar stores have been the retail phenomenon of the early 21st century, expanding furiously across the national landscape. This explosion of ultra-low-price stores includes single-price retailers: The acknowledged leader



#45 / FAMILY DOLLAR

POWER PLAYERS

NON-STORE RETAILERS

Successful non-store retailers have mastered the ability to determine supply chain costs from the point of origin through delivery into customers' hands. Packaging, shipping, order and returns processing are some of the variables involved. Television home shopping merchants QVC and HSN were able to expand into multi-channel businesses because they had the expertise to determine this "cost-to-serve." Amazon.com, which has demonstrated its ability to outsell its non-store power player rivals, is still learning how to make money on its huge volume.

In a study titled "The Hidden Costs of Clicks," authors Tim Laseter, Eliot Rabinovich and Angela Huang note that Amazon.com was so successful so early because it eliminated or minimized the inefficiencies historically inherent to the selling of books through stores.

After turning the bookselling

world on its ear, Amazon.com expanded into toys, where it found the cost-to-serve equation was radically different. Amazon has since shifted attention to other merchandise categories, such as jewelry and watches, that are among the largest sales generators for QVC and HSN.

Company	2005 Revenues (000)
Amazon.com	\$8,490,000
QVC	7,722,860
HSN	3,050,900



#43 / QVC

Amazon's woes with toys continued into this year when, in March, a chancery court judge in New Jersey ruled the company had violated an agreement with Toys "R" Us involving a joint online selling venture. The judgment came on the heels of Amazon's report that FY 2005 earnings fell 43 percent from the previous year despite ringing up the best holiday selling season in company history.

POWER PLAYERS JEWELRY

Blood diamonds and dirty gold are but two of the hobgoblins roaming the retail jewelry landscape. Store operators aren't comfortable with the idea that sales of rough diamonds might be financing conflict in Africa or that gold was extracted from Mother Nature's womb by miners working in conditions consumers wouldn't abide or through the use of methods that pollute rivers, lakes and oceans.

The list of raw materials enveloped by social responsibility, if not political correctness, has grown to cover coral, colored stones and just about everything else that originates in an underdeveloped country or an environmentally delicate situ.

Certifying that jewelry's raw materials are untainted — diamonds are now being branded and microscopically etched with lasers — has added to wholesale costs for retailers. By the same token, however, such certification provides a level of protection



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against consumer backlash and advocate activism.

Tiffany & Co. has long been at the forefront of the movement to show clean hands, endorsing the Kimberley Process Certification Scheme for diamonds when it was formulated in 2003 and, more recently, signing on to the "No Dirty Gold" agreement that also

has been adopted by Zale, Sterling Jewelers' U.K.-based parent Signet Group, Fortunoff, Cartier and the Helzberg Diamonds unit of Berkshire Hathaway.

Company	2005 Revenues (000)	Comparable-Store Sales	Sales per Store
Sterling Jewelers	\$2,309,000	7.1%	\$1,891,000
Tiffany	2,395,153	+6.0*	N.A.
Zale	2,383,066	+0.3	1,016,207

* worldwide

POWER PLAYERS RESTAURANTS

Starbucks is Starbucks: it apparently will keep growing until it has rendered every last home, office and hotel-room coffeemaker obsolete. Among restaurant power players, it is the burger chains that are grabbing the headlines as McDonald's has reeled off a series of monthly sales gains and Wendy's has exhibited new life.

All of this is playing out against a backdrop of conflicting expectations. The National Restaurant Association is forecasting overall industry growth of 5.1 percent this year but a Banc of America Securities survey indicates a trend

toward decreasing traffic at a number of chains, including Brinker International units and Cracker Barrel.

McDonald's business is improving on both the domestic and international fronts, highlighted earlier this year by its best monthly sales performance in more than two years. The gains have not yet been reflected in bottom-line performance, however. Fueling top-line increases are new menu introductions, the success of the dollar menu and the doubling of the number of locations in urban markets operating around the clock.

Wendy's sold more than 20 million Frescata deli sandwiches on "fresh-baked artisan bread" in the month following their April introduction. The launch helped generate the chain's first monthly same-store sales increase in more than a year.

Company	2005 Revenues (000)	Comparable-Store Sales
McDonald's	\$20,460,000	+5.9%
Yum Brands	9,349,000	+2.0
Starbucks	6,369,800	+8.0*
Darden Restaurants	5,278,110	See note(1)
Brinker International	3,912,850	+2.5
Wendy's	3,783,147	+7.4**
Outback Steakhouse	3,601,666	+0.8%##
CBRL Group	2,567,500	N.A.
Jack-in-the-Box	2,507,238	+2.4

* Q4 only # estimate N.A.— not available ** U.S. units only ## only Outback Steakhouses open 18 months or more (1) U.S. Red Lobster units -10.%; U.S. Olive Garden restaurants +7.2%



STARBUCKS

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