J.C. WILLIAMS GROUP
NATIONAL RETAIL
Bulletin

U.S. Data

Advance June 2007 Retail Sales • Released July 13, 2007

Amidst Highs and Lows, Retail Results Remain Overcast

The month of June saw a lackluster retail sales increase of 3.2% as the gap widened between strong performers and stumbling categories.

The ever present housing slump has continued to put pressure on home related retail. Building Material and Garden Equipment Stores suffered the greatest blow as their impressive sales growth in 2005 and 2006 did an about face and fell -2.6% in the month of June. Furniture and Home Furnishings Stores also felt increased pressure as they dropped -2.0%. Such downward revenue trends have led Pier 1's president, Alex Smith, to focus his company's efforts on cost control as they seek to navigate through such stormy market conditions.

Another category who's facing tumultuous times ahead is Clothing and Accessories Stores. With solid 4.9% growth in June, these retailers continue to post encouraging results, even as fast fashion trends upset many of the sector's traditional players. A recent example of such turmoil is Liz Claiborne's move to place 16 of their 36 brands under strategic review with the possibility of divestiture. Following the departure of president Trudy Sullivan, the company has adopted a new strategy that will focus their energies on four key brands: Lucky Brand Jeans, Mexx, Juicy Couture, and Kate Spade. With 300 store openings by 2010, the group hopes to grow the share of revenue generated by these brands from 42% to 60% in just three years.

Such a dramatic shift at one of the country's premier apparel companies underlines the rapid change occurring among Clothing and Accessories Stores. As Japanese firm Fast Retailing emerges from an acquisition spree that saw it purchase Princesse Tam-Tam, Theory, Helmut Lang, and Comptoir des Cotonniers, the firm's $900 million bid for Barney's underlines the significance of fast fashion as a force that is reshaping the apparel sector.

Food and Beverage Stores continue their own renaissance of sorts as many traditional grocery stores are raising the stakes through innovation and new store concepts. Publix has recently begun trials of curbside service at select Fort Myers stores. In an attempt to meet rising demand for convenience, customers are able to have deli and prepared food products delivered to their car at designated parking spaces. The chain has also debuted a partnership with Outback Steakhouse who has opened a 1,000 square foot Carrabba's Italian Grill in a Sarasota store. Such innovation has played a central role in this category's recent growth. In June, Food and Beverage Stores sales rose 6.0%, continuing their year-to-date growth of 6.1%.

ALDI's continued expansion in the American market will certainly prompt even more intense competition in the grocery sector and perhaps even challenge Wal-Mart's grip on the discount category. That being said, the Bentonville behemoth exceeded expectations as June sales rose 2.6%. Overall, General Merchandise Stores enjoyed 5.3% growth, 0.3 percentage points above their year-to-date figure. With a -1.7% decline in sales, Department Stores continued to struggle. In response to such challenges, JC Penney has shown its adaptability as the chain reported that 80% of its new stores will be their new, smaller off-mall format.

Finally, Sporting Goods, Hobby, Book and Music Stores outperformed all expectations as sales jumped 6.2% in June, up five percentage points from the year-to-date average. As summer entered full swing, sporting goods likely comprised the lion's share of this growth with book and music stores continuing to be dampened by digital downloads and online shopping. The fate of traditional music has become bleaker as more and more mobile phones incorporate mp3 player technology. In the first weekend alone, estimates suggest that Apple sold over 700,000 iPhones.

The lure of this rapidly expanding mobile phone market underpins Best Buy's partnership with the Carphone Warehouse and their recent opening of five Best Buy Mobile stores in New York City. Although the chain hopes to expand their 2% share of the mobile phone market, only time will tell if they can capture sales in a marketplace where 74.9% of devices are sold through carrier stores.

Be sure to look towards our next bulletin for insight into which retailers rung up increased sales and who left growth on hold.

Release Date of the Next National Retail Bulletin:

August 13, 2007

Please note:
The J.C. Williams Group National Retail Bulletin compares the latest monthly release of "raw" (i.e., unadjusted for seasonality, holiday, and trading day) retail sales figures to those in the *same calendar month of the previous year*. The U.S. Census Bureau also reports seasonally adjusted sales that are compared to the *previous month within the current calendar year* to measure change in Gross Domestic Product (GDP). Although other sources use seasonally adjusted figures, J.C. Williams Group believes that using raw figures and making comparisons to the previous year's performance more accurately reflects the seasonality of the retail industry, and therefore, are more useful in analysis. Definitions can be found on the U.S. Census Website: www.census.gov.

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Retail Sales by Store Category

Sales for the Month of June	2007	2006	2007/2006
All Stores	**381,702**	**369,852**	**3.2%**
Motor Vehicle and Parts Dealers	**80,893**	**80,554**	**0.4%**
Gasoline Stations	**38,569**	**37,503**	**2.8%**
Food and Beverage Stores	**48,160**	**45,435**	**6.0%**
Grocery Stores	42,689	40,523	5.3%
Health and Personal Care Stores	**19,794**	**18,550**	**6.7%**
Building Material and Garden Equipment Stores	**33,310**	**34,205**	**-2.6%**
General Merchandise Stores	**46,941**	**44,576**	**5.3%**
Department Stores (excluding leased departments)	16,309	16,599	-1.7%
Clothing and Accessories Stores	**17,446**	**16,628**	**4.9%**
Furniture, Home Furnishings, Electronics and Appliance Stores	**18,460**	**18,548**	**-0.5%**
Furniture and Home Furnishing Stores	9,952	10,156	-2.0%
Electronics and Appliance Stores	8,508	8,392	1.4%
Sporting Goods, Hobby, Book and Music Stores	**7,188**	**6,770**	**6.2%**
Miscellaneous Store Retailers	**10,126**	**10,101**	**0.2%**
Nonstore Retailers	**22,293**	**20,828**	**7.0%**
Food Services and Drinking Places	**38,522**	**36,154**	**6.5%**

Year to Date Sales Ending June	2007	2006	2007/2006
All Stores	**2,183,916**	**2,100,718**	**4.0%**
Motor Vehicle and Parts Dealers	**467,611**	**454,044**	**3.0%**
Gasoline Stations	**204,193**	**200,537**	**1.8%**
Food and Beverage Stores	**277,609**	**261,760**	**6.1%**
Grocery Stores	248,413	234,827	5.8%
Health and Personal Care Stores	**117,504**	**109,751**	**7.1%**
Building Material and Garden Equipment Stores	**179,762**	**184,323**	**-2.5%**
General Merchandise Stores	**267,398**	**254,688**	**5.0%**
Department Stores (excluding leased departments)	94,275	95,292	-1.1%
Clothing and Accessories Stores	**101,250**	**94,871**	**6.7%**
Furniture, Home Furnishings, Electronics and Appliance Stores	**109,704**	**106,497**	**3.0%**
Furniture and Home Furnishing Stores	58,843	57,148	3.0%
Electronics and Appliance Stores	50,861	49,349	3.1%
Sporting Goods, Hobby, Book and Music Stores	**39,546**	**39,072**	**1.2%**
Miscellaneous Store Retailers	**58,235**	**57,367**	**1.5%**
Nonstore Retailers	**141,475**	**129,572**	**9.2%**
Food Services and Drinking Places	**219,629**	**208,236**	**5.5%**

Source: US Census Bureau. All Values are expressed in millions of US dollars and are not seasonally adjusted

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