

Bulletin

U.S. Data

Advance May 2006 Retail Sales • Released June 13, 2006

Retail sales growth pushed further ahead in May as All Stores almost broke double-digit level. All Stores gained 9.4% in May. Excluding Automotive, Food, and Health Stores, sales growth clocked in at 9.5%.

MULTI-CHANNEL GRADUATES FROM EARLY ADOPTER TO EARLY MATURITY

Multi-channel retailing has gained a significant hold on consumer shopping behavior as well as the response by retailers to implement cross-channel strategies and tactics.

We have seen fads come and go (does anyone remember the JCPenney in-store Internet lounge?) and excessive dollars frittered away but as an industry, we have become much more knowledgeable with underlying business models driving multi-channel retailing successes. For example, online retail at JCPenney is over \$1 billion and is bigger than their catalogue division.

When we stop to think about why multi-channel retailing has risen to become a high strategic priority for many retail organizations, we have to consider the macro power shift towards customers. The rapid fragmentation of lifestyles, media, and consumption choices in today's fast-paced world has resulted in consumers demanding, and receiving, solutions that we could not have imagined a decade ago. For example, think of custom-built, personalized products (Nike ID, Jones Soda) and the groundswell driven by consumers' power to dictate what they want.

While we cannot attribute all of these customer-driven solutions to our definition of multi-channel retailing, we can claim many. After all, our definition of successful multi-channel retailing is to provide seamless channel choice to customers; allowing them to interact with stores, catalogs, Websites, and other touch-points in whatever manner that suits them in the moment. For example, Gap has been a market leader in the cross-channel capabilities allowing consumers to buy online, pick up in store, return online purchases in-store, etc. However, saying it is easy for most retailers; executing it well is the challenge. In a recent study where we interviewed leading multi-channel retailers across the country, we found that most felt that they are only just starting to understand the complexity of their multi-channel challenges.

This should be considered good news for most retailers. Now is the time for most retailers to take action if they feel that multi-channel leverage will be an important part of their future success.

HIGH GAS PRICES = FEWER SHIPPING TRIPS?

Sorry, but we do not believe it. Yes, there will be instances of very low-income households who may spend a lot on long commutes to work change their shopping patterns but that is all. Americans are just not that rational, have short memories, and love their cars and shopping too much to alter shopping patterns significantly. Of course, more are using the Internet but we are sure it is because of the convenience and selection of product, not to save 40 cents a gallon.

RELEASE DATE OF THE NEXT NATIONAL RETAIL BULLETIN:
July 14, 2006

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.

Retail Sales by Store Category

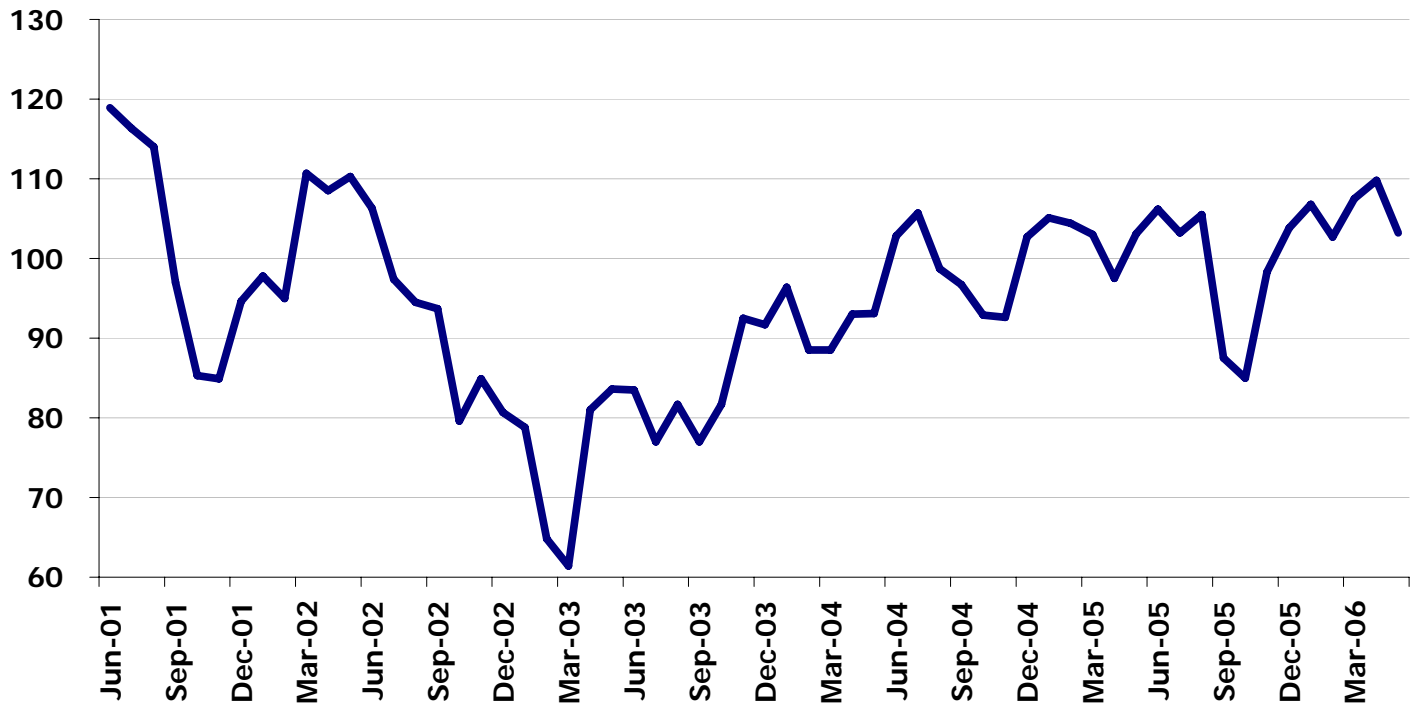
Sales for the Month of May	2006	2005	2006/2005
All Stores	380,072	347,570	9.4%
Motor Vehicle and Parts Dealers	83,368	79,111	5.4%
Gasoline Stations	39,501	31,954	23.6%
Food and Beverage Stores	46,481	43,796	6.1%
Grocery Stores	41,309	39,226	5.3%
Health and Personal Care Stores	18,782	17,448	7.6%
Building Material and Garden Equipment Stores	36,491	31,891	14.4%
General Merchandise Stores	45,345	42,706	6.2%
Department Stores (excluding leased departments)	16,984	16,905	0.5%
Clothing and Accessories Stores	17,102	16,032	6.7%
Furniture, Home Furnishings, Electronics and Appliance Stores	17,676	16,332	8.2%
Furniture and Home Furnishing Stores	9,592	8,792	9.1%
Electronics and Appliance Stores	8,084	7,540	7.2%
Sporting Goods, Hobby, Book and Music Stores	6,570	6,010	9.3%
Miscellaneous Store Retailers	10,498	9,673	8.5%
Nonstore Retailers	21,587	18,620	15.9%
Food Services and Drinking Places	36,671	33,997	7.9%

Year to Date Sales Ending May	2006	2005	2006/2005
All Stores	1,744,907	1,616,282	8.0%
Motor Vehicle and Parts Dealers	378,394	368,121	2.8%
Gasoline Stations	171,381	144,385	18.7%
Food and Beverage Stores	217,540	207,887	4.6%
Grocery Stores	194,436	187,365	3.8%
Health and Personal Care Stores	90,727	85,259	6.4%
Building Material and Garden Equipment Stores	148,674	128,716	15.5%
General Merchandise Stores	210,638	197,620	6.6%
Department Stores (excluding leased departments)	79,000	79,175	-0.2%
Clothing and Accessories Stores	78,003	73,520	6.1%
Furniture, Home Furnishings, Electronics and Appliance Stores	86,363	79,905	8.1%
Furniture and Home Furnishing Stores	46,298	42,343	9.3%
Electronics and Appliance Stores	40,065	37,562	6.7%
Sporting Goods, Hobby, Book and Music Stores	32,122	29,846	7.6%
Miscellaneous Store Retailers	47,197	43,326	8.9%
Nonstore Retailers	110,695	98,276	12.6%
Food Services and Drinking Places	173,173	159,421	8.6%

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

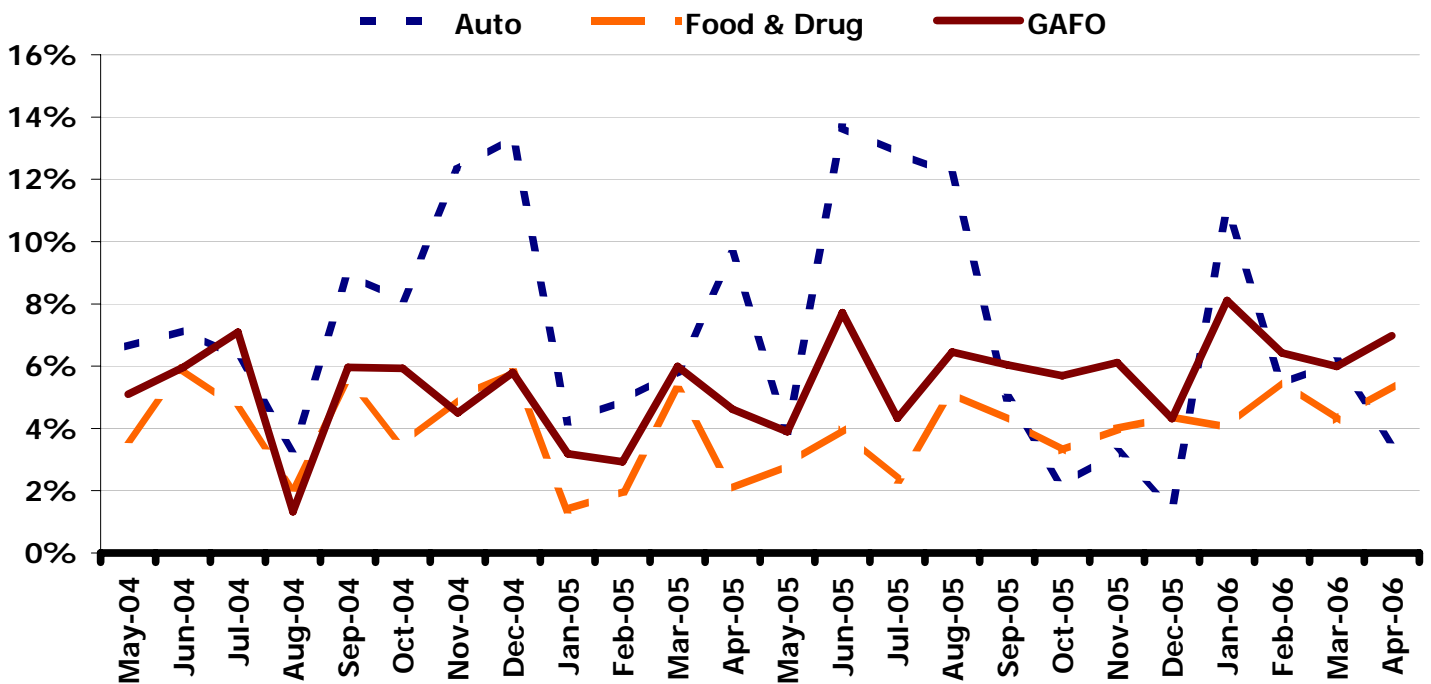
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U.S. Consumer Confidence Index



Source: U.S. Conference Board

U.S. Monthly Retail Sales by Major Category Percentage Change from Same Month, Previous Year



Source: U.S. Census Bureau