



Inspired by
Cannondale
Glendinning
MVI
Retail Forward

2 Easton Oval
Suite 500
Columbus, OH 43219

T 614.355.4000
F 614.355.4059
www.retailforward.com
www.kantarretail.com

For additional information contact:
Kathy Clarke
Retail Forward, a Kantar Retail Company
614/355-4009
katherine.clarke@kantarretail.com

Improving Outlook for 2010, Kantar Retail Forecasts

COLUMBUS, January 25, 2010—Retail Forward, a Kantar Retail Company, forecasts that retail sales will show quarter-by-quarter improvement in 2010 and approach long-term average growth rates by the end of the year. Retail Forward's 2010 forecast for retail sales excluding the auto and fuel channels is an increase of 1.5% to 2.0% in the first two quarters of the year and a step up to 3.0% to 4.0% growth in the second half of the year as job and income growth start to re-emerge.

"The first clear sign that retail sales are on the path to recovery came during the holiday," comments Frank Badillo, Senior Economist for Retail Forward, a Kantar Retail Company. "Keeping retail sales on this recovery path will require—more than anything—a return of job and income growth," he continues.

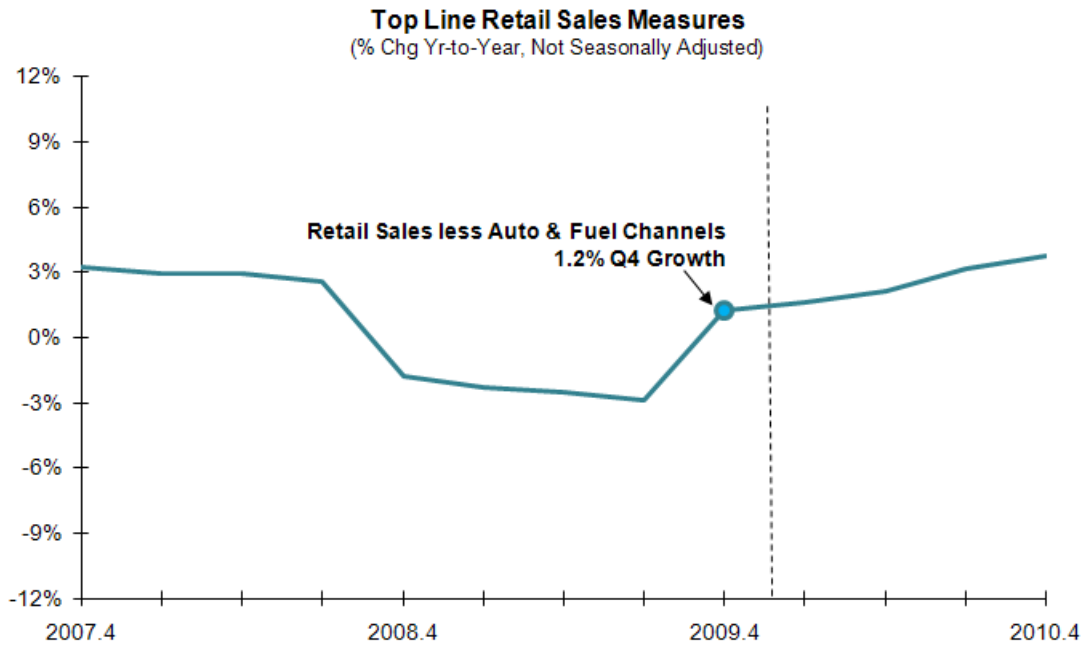
"Renewed job and income growth will ultimately outweigh other drags on the recovery, such as tighter credit availability and new credit regulation," Badillo comments. "In addition, looming large in 2010 will be rising inflation pressures—starting with fuel prices—that ultimately lead to higher interest rates. This will present a challenge for the housing and homegoods markets, which will continue to lag in a retail sales recovery led by other retail segments," he adds.

Retail sales growth in 2010 will be led by the channels that performed strongest during the holiday including non-store and online; food, drug and mass (FDM); and softgoods. Retail sales excluding the auto and fuel channels grew 1.2% in the fourth quarter holiday period, ending four consecutive quarters of declines. When supermarkets, restaurants and drug stores are also excluded, sales rose 0.9% in the key holiday channels that sell most holiday gifts.

"As we head into 2010, non-store and online sales will remain strong as shoppers continue to shift demand for consumer electronics and other categories online," Badillo states. Also leading growth will be apparel stores, particularly off-mall value specialty stores, and small-ticket discretionary categories. Value-focused mass retailers will also hold up well, including supercenters and warehouse clubs.

Retail Forward's 2010 Channel Forecasts

- The forecast for non-store retailing, especially online retailing, is uncertain. Some of the fourth quarter strength was driven by key retailers including Amazon and key products like e-book readers. "If some of that demand proves to be a one-time surge, then non-store sales growth will subside into single digits early in 2010 and further ease later in the year as it becomes more difficult to grow sales against strong prior-year comparison periods," Badillo comments.
- FDM channels are forecast to register 2.5% year-over-year growth in the first half of the year and reach about 4.0% growth in the second half.
- Softgoods channels, led by apparel stores, are forecast to post growth between 0.5% and 1.0% in the first half of the year and range between 1.0% and 2.0% growth in the second half.
- Homegoods channels are forecast to continue to report negative-to-flat growth in the first half and then surpass 1.5% to 2.5% growth in the second half.



Source: Retail Forward, A Kantar Retail Company and U.S. Department of Commerce

About Retail Forward

Retail Forward, Inc. (www.retailforward.com) is a global management consulting and market research firm specializing in retail intelligence and strategies. The company's syndicated research and executive development program known as the Retail Forward Intelligence System™, provides members with an authoritative perspective on the retail and consumer products industries. Retail Forward Intelligence System™ members can find more details on holiday 2009 results and Retail Forward's 2010 forecast by downloading the "Holiday 2009: Under the Microscope" Webinar presentation and reading the January issue of Retail Update. To learn more, contact Katherine Clarke at katherine.clarke@kantarretail.com.

About Kantar Retail

Retail Forward has joined Cannondale Associates, Glendinning Management Consultants, MVI and Red Dot Square to create Kantar Retail, the world's leading retail insights and consulting business. Kantar Retail (www.kantarretail.com) is a global retail insights and consulting business that works with leading retailers and branded manufacturers to transform the purchase behavior of consumers, shoppers and retailers. Kantar Retail has nearly 400 employees and offices in 15 markets around the globe. The company is headquartered in London and is part of the Kantar Group of WPP.