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2010 Independent Operators Survey
2-13-11

Survey Population & Overview

- 8th Year
- 1000+ Stores Participated
- 34% Single store companies
  66% Multi-store companies
- 2009/Early 2010 fiscal year reported
- 34 States Represented
- 7 years to 112 years in business(Avg. 43.8 yrs)

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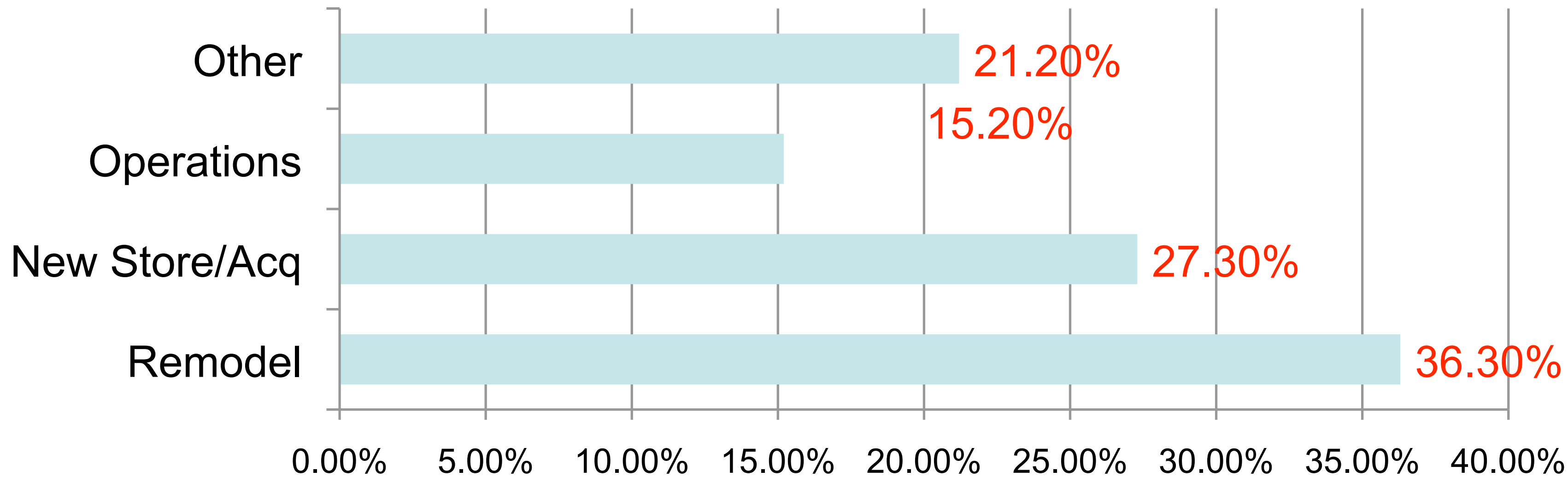
Economic Impacts – Availability of capital

- Lack of Capital:
  - -Companies that performed at least 1 remodel
    2009-March 2010   31%
- 41% of Respondents were affected by a lack of available capital

Areas impacted by lack of capital



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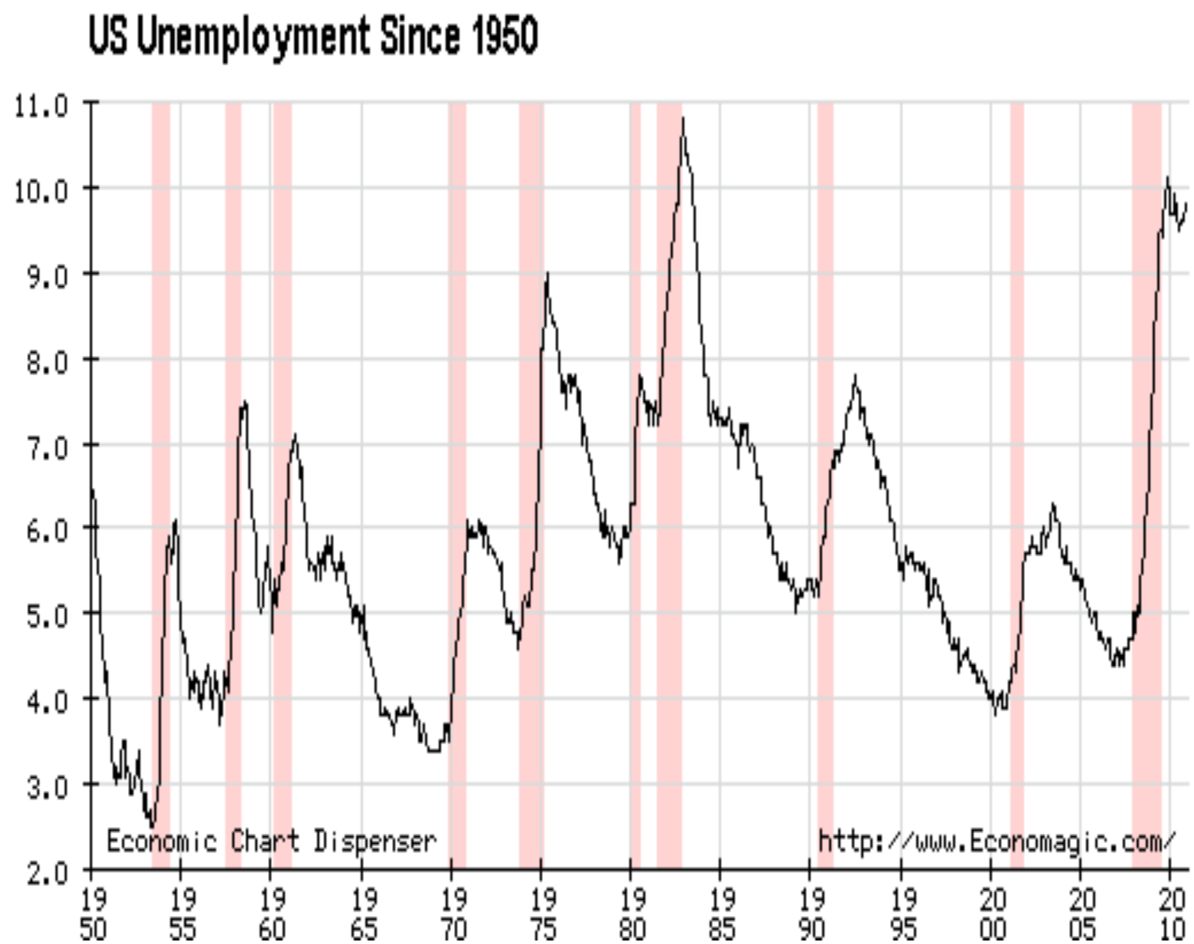
Economic Impact - Unemployment

- Unemployment is near a 60 year high.
- Second only to early 1980s
- Quick jump as opposed to more gradual trends



Unemployment: What's behind the numbers?

- No High School Diploma 15%+
- High School Diploma 10.9%
- Bachelor's Degree or higher 4.7%
- Families impacted indicative of depth of recession….. 1 in 8 or 12.5% of US families
- Who has dropped off? 9% down .4%??How?
- Customer Impact – Food Stamp usage up(42M)
  - impact on your sales, sales mix, and labor scheduling?

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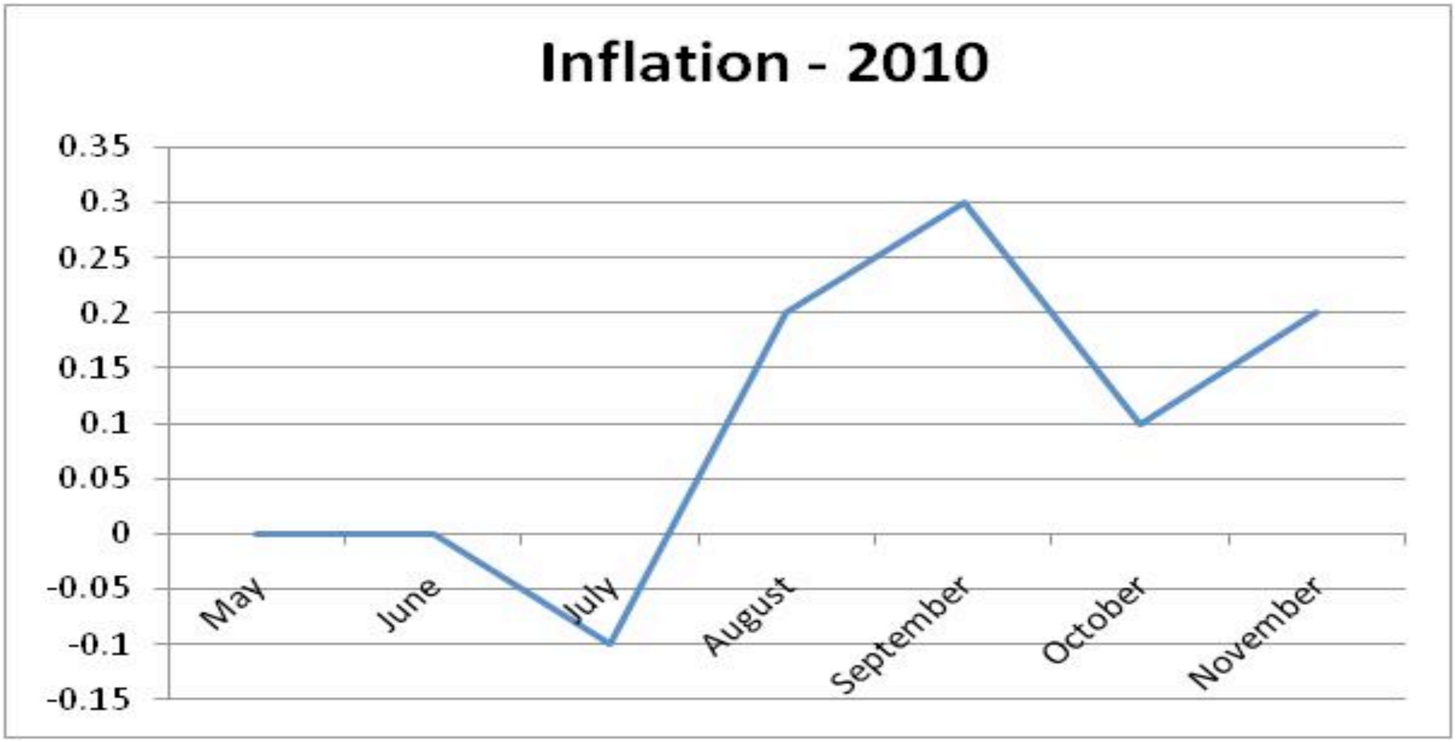
Unemployment - Government stimulus

- WOTC: Work Opportunity Tax Credits
  - Youth
  - Empowerment Zones
- 2011 FICA reduction

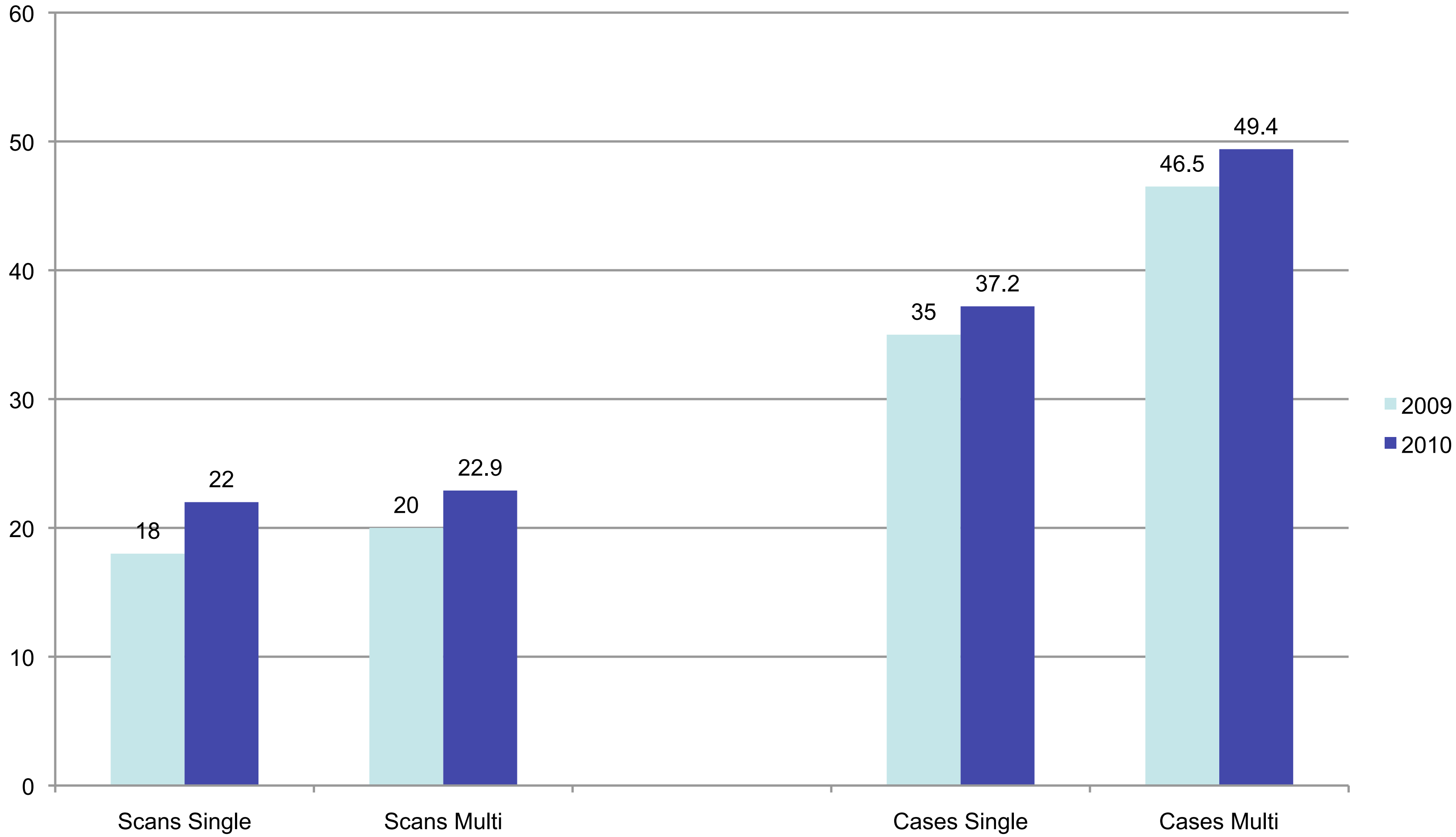
Economic Impact - Inflation – 2010



Inflation – 2011 forecast

- USDA indicates food inflation will be on the upswing in 2011:
- Commodity Costs…..
- CNBC Link Commodities vs. Food Prices

Economic Impact: Productivity: Scans/Stocking is up from prior year



Health Insurance Costs

- Health Ins. Costs Rose 12.54% in 09
- Expected increase in 2010: 13.18%
- What will the new regulations cost/save your business?
- Are you factoring these costs into your projections and new store / remodel cash flow projections?
- Are you or your staff becoming educated?

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Taxes

- Uncertainty reigns!
  - Tax planning is at an all time importance
    - Almost assuredly will rise in future
  - Be sure your preparer has the resources to remain current in these turbulent times
  - You should be familiar with the basics
  - Tax bill passed in December extending President Bush era tax cuts on individual taxes, AMT, and estate taxes – temporary solution only

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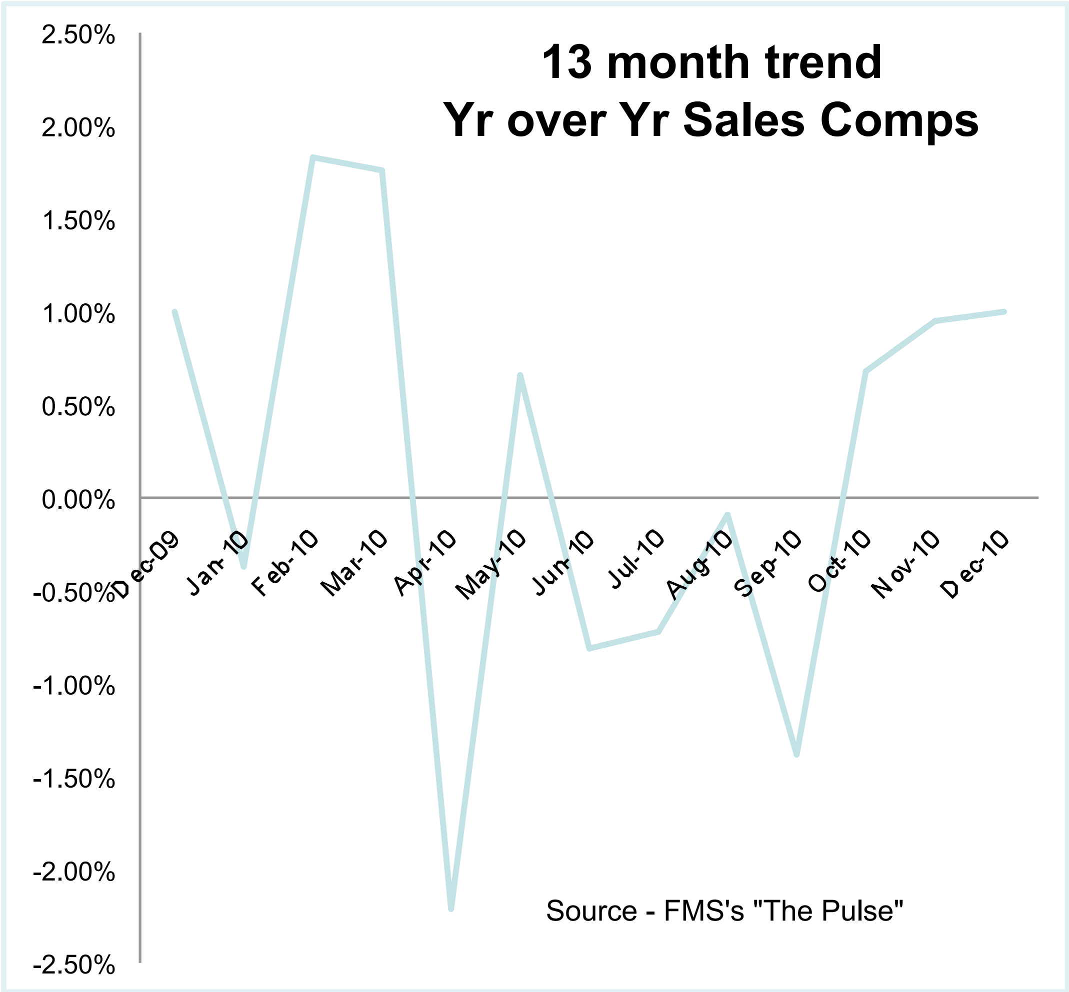
Competition

- Ranking for Primary Competitor Remained unchanged from last year:
  - Supercenter
    - http://projects.flowingdata.com/walmart/
  - Conventional
  - Limited Assortment
  - Other
  - Gourmet(Dropped to last slot in 2009)

Sales

2010 sales comps

- Year started well – possibly due to record snowfall in parts of the country
- Mid year doldrums
    - Deflation
    - Rising unemployment / negative consumer sentiment
    - Food stamp sales shift – strong first of the month hold on at the tail of the month
    - Consumer sentiment is gaining positive traction but dipped in Dec.



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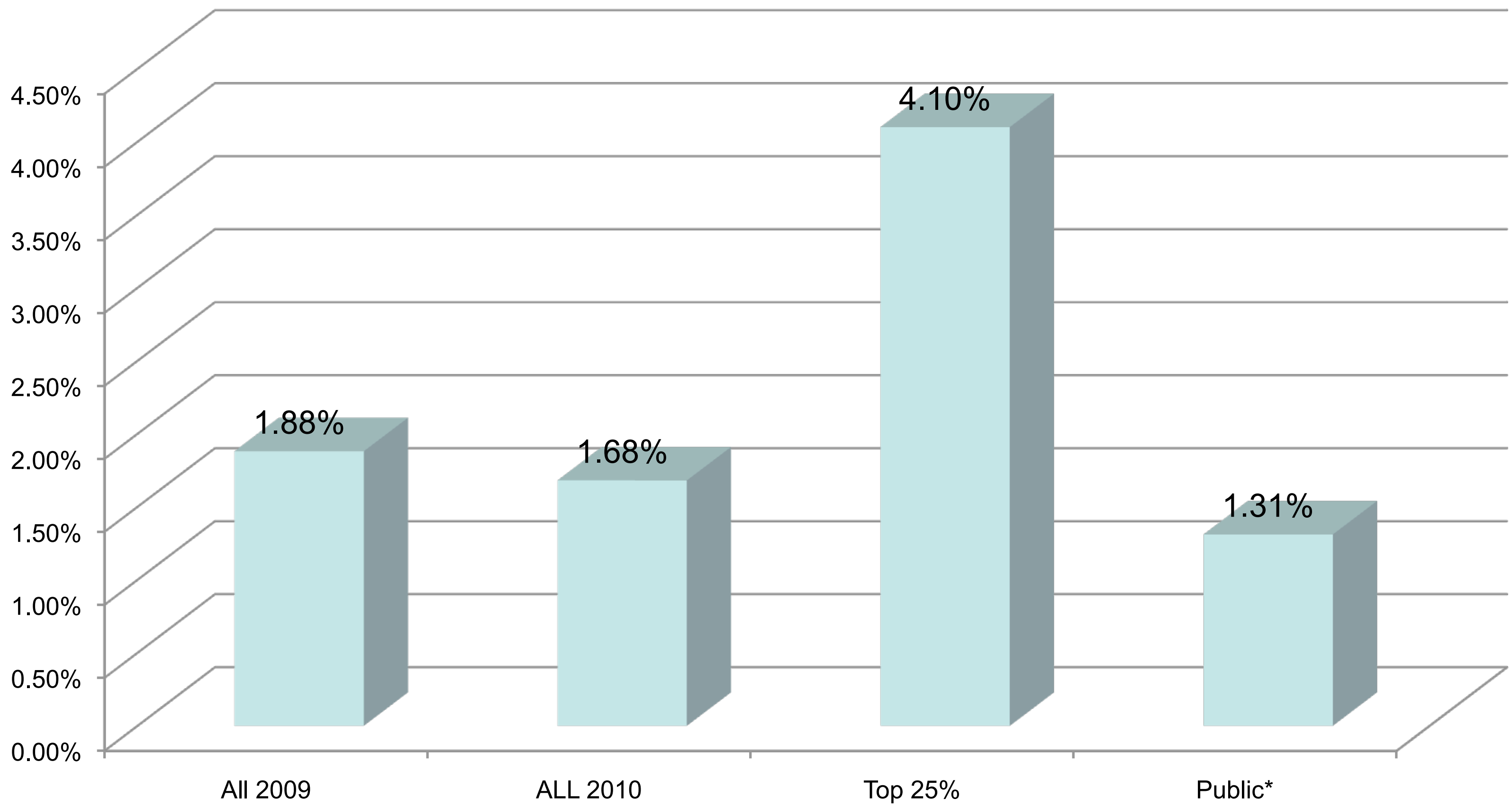
Survey specifics

How do your results compare?

Net Profits By Grouping



Survey specifics

Benchmarking yourself against the average gets you to average…who wants to be average….

What differentiates the top shelf performers from the pack?

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Profit Leaders vs. Population

Distribution Rate	Top 25%	All Respondents	Variance
Grocery	37.12%	39.02%	-1.90%
Dairy	9.27%	10.04%	-0.77%
Frozen	4.98%	6.04%	-1.06%
Meat	16.70%	16.85%	-0.15%
Deli	5.73%	4.24%	1.49%
Bakery	2.03%	1.86%	0.17%
Seafood	0.87%	0.57%	0.30%
Produce	9.90%	9.10%	0.80%
Floral	0.52%	0.38%	0.14%
HBC/GM	3.78%	3.41%	0.37%
Tobacco	0.74%	1.28%	-0.54%
RX	3.35%	3.16%	0.19%
Other	5.01%	4.05%	0.96%
Total	100.00%	100.00%	

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Profit Leaders vs. Population

Gross Margin	Top 25%	All Respondents	Variance
Grocery	24.04%	23.03%	1.01%
Dairy	27.80%	25.79%	2.01%
Frozen	30.37%	28.85%	1.52%
Meat	26.25%	27.84%	-1.59%
Deli	41.50%	39.46%	2.04%
Bakery	44.15%	42.51%	1.64%
Seafood	19.93%	20.28%	-0.35%
Produce	34.82%	32.58%	2.24%
Floral	29.47%	31.77%	-2.30%
HBC/GM	27.71%	25.87%	1.84%
Tobacco	11.80%	12.39%	-0.59%
RX	19.31%	18.81%	0.50%
Other	36.57%	24.12%	12.45%
Total	28.05%	26.28%	1.77%

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Profit Leaders vs. Population

Expenses	Top 25%	All Respondents	Variance
Labor/Benefits	12.05%	13.03%	0.98%
Interest	0.23%	0.29%	0.06%
Rent/CAM	2.28%	1.79%	-0.49%
Advertising	0.92%	1.15%	0.23%
Depreciation	0.98%	0.98%	0.00%
Utilities	1.64%	1.68%	0.04%
Supplies	1.12%	1.23%	0.11%
R&M	0.73%	0.82%	0.09%
Net Profit before Taxes	4.10%	1.68%	2.42%

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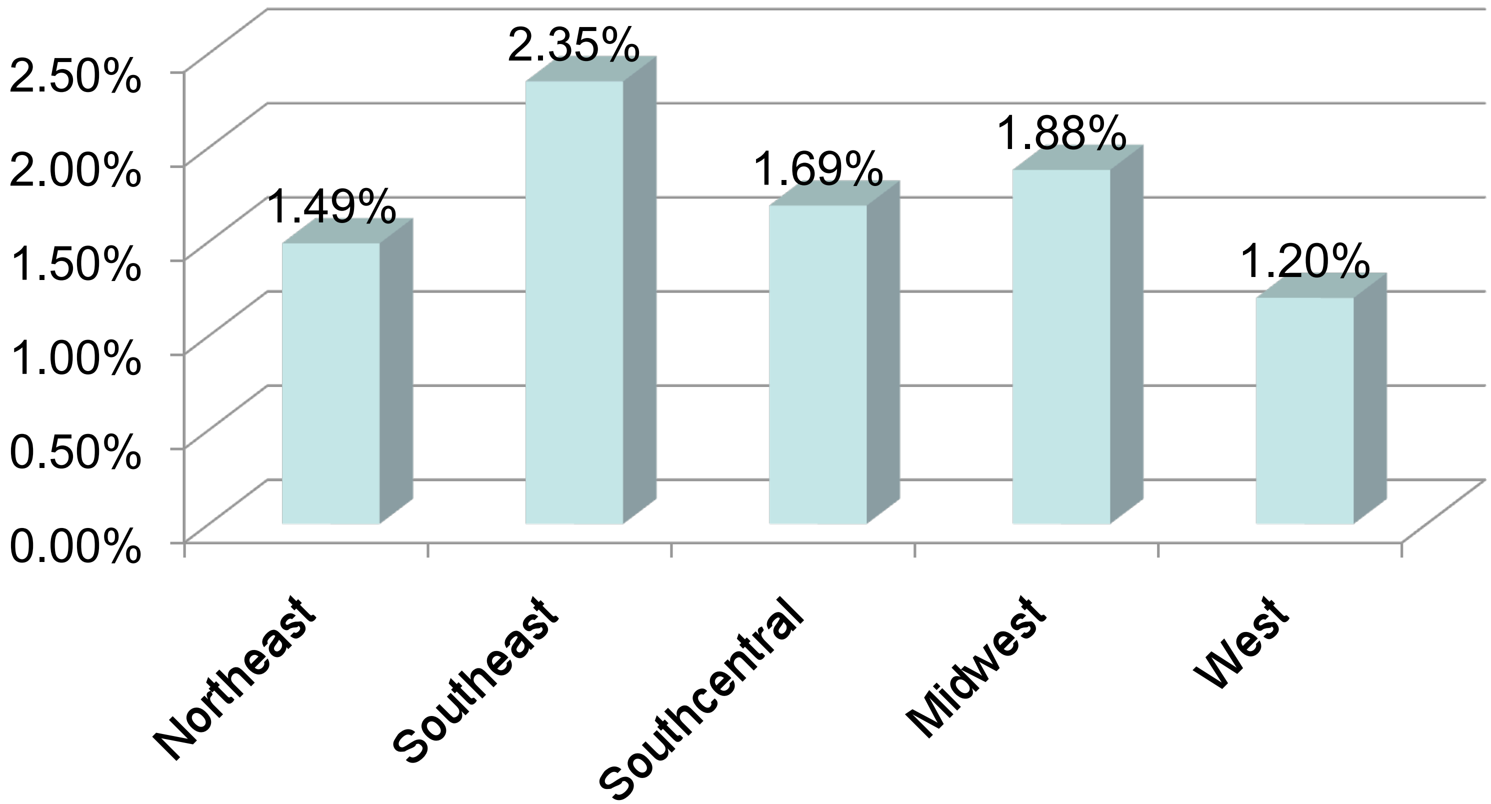
What is different about the top 25%

- Very few had capital issues
- Margins outperformed averages in 9 of 13 tracked
- Lower borrowing needs (cash flow)
- Greater capital expenditures even now
- Distribution rates heavier in perishable departments

Net Profits By Region



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Impacts of Location on Expenses

Rent: All 1.79% vs. West 2.99%

L&B: All 13.03% vs. West 14.90%

Gross Margins: All 26.28% vs. West 28.77%

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Thank you.

Questions?

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