

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Valassis NSA

Docket No. MC2012-14

Valassis NSA

Docket No. R2012-8

Comments of the Public Representative in Response to Order No. 1330

(May 24, 2012)

I. INTRODUCTION

On April 30, 2012, the Postal Service filed a request to add a Valassis Direct Mail Inc. Negotiated Service Agreement (NSA) to the market dominant product list. Order No. 1330 appointed the undersigned Public Representative and set a deadline for comments of May 23, 2012.

II. BACKGROUND

Distributing geographically-targeted hardcopy advertising circulars is a market served almost entirely by third-party intermediaries—newspapers and Standard Saturation mailers. The Postal Service believes that its share of this market is eroding because Saturation mailers are migrating to lower-cost private delivery of these circulars, and to lower-cost digital forms of distribution. In response to these threats, it proposes the Valassis NSA.

The Valassis NSA offers discounts as incentives for a third-party intermediary (Valassis) to solicit new advertising circular volume for itself, from which the Postal Service expects to derive indirect benefits in the form of increased net contribution to overhead. To give this third-party intermediary an incentive to shop postal services to new advertising circular clients (at least they would be new to Valassis), the Postal Service proposes to build an elaborate fence around a discreet subset of the market (durable and semi-durable goods retailers) and make its discounts off-limits to other third-party intermediaries (other Saturation mailers and newspapers).

### III. ANALYSIS

It is a very serious risk for a government-sanctioned monopoly to conspire with a private business to fence off a portion of a market and let no other private business in. The risk is that the Postal Service's monopoly power will be leveraged to the benefit of one private business to the detriment of all of that business's rivals. This is the kind of market disruption that Congress instructed the Postal Service to avoid when it crafts NSAs. See sections 404a(a)(1) and 3622(c)(10)(A)(B) of the PAEA.

*The Valassis NSA would accelerate rather than forestall conversion to private delivery.* The ends of the proposed Valassis NSA seem legitimate—to discourage the migration of advertising circular delivery to private carriers or to electronic alternatives—but the means that the Postal Service has devised are poorly-suited to accomplish those ends. This is true for several reasons. The first is that the Postal Service has mis-identified the problem. Providing anecdotal factual support, it asserts that Saturation mailers such as Valassis and newspapers are both poised to shift their mailed circulars to private carriers and something must be done to stop it.<sup>1</sup> Valassis makes very little use of private carriers (less than 10 percent of its Saturation mail volume), and its use of private carriers has been stable up to the present.

That Valassis uses private carriers at all is a historical anomaly. When Valassis acquired ADVO's advertising circular operation, it inherited a partner relationship with a unique institution called Carrier Boys of America. Carrier Boys of America is a private delivery service that had a lock on door-to-door delivery in a few of the most densely built suburbs in the country (those in Philadelphia, Long Island, and parts of Northern New Jersey). When ADVO tried to compete on the Carrier Boys' turf, it ran into a brick wall, so it settled for a partnership. When ADVO became Red Plum, it inherited this partnership, which persists to this day. The Carrier Boys endure largely because of the unusual density of the suburbs in which they operate. Apart from the continuing use of the Carrier Boys, Valassis still makes little use of private delivery.

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<sup>1</sup> See Notice at 3; Postal Service Response to CHIR No. 3 Question 5 c subparts i and ii.

The situation with the newspapers is another matter. Seven years ago, the newspaper industry looked very different than it does now. The newspapers' own carriers delivered to 60 percent of their subscribers, while the remaining 40 percent was delivered by mail. Today, due largely to declining circulation, newspapers' own carriers delivery to barely 25 percent of their subscribers, while the remaining 75 percent is delivered by mail. However, most newspaper inserts that are still delivered through the mail are found in the grocery-store-dominated coupon packet that is typically delivered mid-week<sup>2</sup> Newspapers have already moved about 40 percent of this mailstream into private delivery.

With the potentially enormous downward pressure on price that the Valassis NSA would impose on them, newspapers are likely to move most of the rest of this mid-week delivery of inserts out of High Density mail and into the hands of private carriers. It is well known that newspaper circulation is in decline and that the industry has responded with round after round of layoffs, cutting its in-house staff to the bone. Major price pressure on its advertising insert business would force it to redo the cost structure of distributing its mid-week insert packet, since it is the only area of its business remaining where further cost cuts could be made. The only way for it to cut costs there would be to shift to private delivery service. Given these circumstances, it is ironic that the Postal Service would cite private delivery as a threat that the Valassis NSA would forestall. It is the Valassis NSA that is most likely to accelerate it.

*The restrictions on eligibility for participation in the NSA have no valid purpose.* As noted above, the Valassis NSA would build a complex fence around one component of the circular delivery market (delivery of the circulars of durable and semi-durable goods retailers) so that it could be served on favored terms only by Valassis. The story that the Postal Service tells is that only Valassis has the volume and the geographic coverage to tempt national durable goods retailers to buy Saturation mail as part of a multi-market program. But this story is made of whole cloth.

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<sup>2</sup> For most major newspapers, Sunday circulation remains high enough to make it practical for the newspapers to use their own carriers to deliver the Sunday edition complete with Sunday Select inserts.

A key to understanding the advertising circular market is that it is really two markets. One is the mid-week circular packet featuring grocery store-based consumables and local services like auto repair shops. It is primarily local in its focus. Since it is unsolicited by the recipient, the mid-week circular packet is disfavored by retailers who have strong national brands. Generally, they are reluctant to be associated with unsolicited flyers offering deals on pizza and auto repair. Therefore, this part of the circular market is essentially up for grabs. Valassis, legitimate newspapers, penny shoppers, and Valpak all compete for it. Valassis, however, is the 800-pound gorilla in this particular room. On its website it boasts that “we do 90% of all 3<sup>rd</sup> party co-op direct mail in the United States.” <http://www.valassis.com/about-us/faq.aspx>.

The second part of the advertising circular market is the Sunday circular packet. It contains coupons for consumables, but it also carries coupons and ads for national brand name department stores and home improvement hardware stores. They prefer the Sunday insert packet because they know that the majority of their circulars are going to customers who have requested the publication and have sought out its contents, including the insert packet. Because it is associated with a publication that the recipient has solicited, participating in the Sunday packet protects the status of their brands and is more effective in building a relationship with the customer.

While Valassis dominates the mid-week circular market, the newspapers dominate the Sunday circular market. Because the Sunday circular market is more desirable in terms of brand preservation and response rates, it is a much more significant market. Where the mid-week packet typically contains 5 to 7 advertisers. (Valassis currently averages 9.6 advertisers) the Sunday packet typically has four to five times that many—and eight or nine times as many during the Christmas holiday season.<sup>3</sup>

For these reasons, the Sunday circular market is the more coveted prize. For the moment this market remains dominated by the newspapers, due largely to the

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<sup>3</sup> Carrier delivered Sunday Select programs have been launched to offset declines in the paid distribution of Sunday newspapers. These programs only deliver inserts to homes that request them.

advantages that newspapers have in providing a format that national brand retailers prefer. However, if this NSA were widely implemented by Valassis, the prize could easily fall into the hands of Valassis for the simple reason that a price break of as much as a third of regular postage may prove too hard for the department stores and hardware chains to resist.

If the Sunday circular market were to be captured by the Valassis through its exclusive pricing advantage, the consequence would be to pull the last financial pillar out from under the newspaper industry. The consequence of that is not just unwarranted commercial damage to the newspaper industry. The effectiveness of our democracy depends on an informed electorate, which depends on how much, and how effectively, the news gets reported. That still depends to a very large extent on the large but shrinking cadre of reporters that only newspapers are willing to employ. No previous Negotiated Security Agreement has raised the stakes this high. The Commission has a clear duty to fully come to grips with the potential market disruption that it is poised to create, and the collateral damage it is likely to inflict on a key civic institution—the nation’s newspaper industry.

The story that Valassis and the Postal Service tell is that a space must be artificially created within the advertising circular market that only Valassis can occupy in order to encourage it to recruit advertisers to use Saturation mail in a multi-market advertising campaign. That is all it is—a story. To get into the market niche that only Valassis would be allowed to occupy on favored terms, a business would have to pass through every one of the seventeen gates listed below.

#### Mailer thresholds

- 1) Volume threshold (400 million)
- 2) Geographic coverage (50 percent of SCF service areas)

#### Mail configuration requirements

- 3) Conventional flat dimensions only
- 4) Shared mail only
- 5) Above 4 oz only

#### Program requirements

- 6) New program in market where monthly program has preexisted for 2 years
- 7) Maintain preexisting program
- 8) 3 to 10 inserts
- 9) For at least 9 of 12 months of contract year
- 10) DDU dropshipped portion at least 85 percent of total
- 11) Remainder SCF dropshipped

#### Client/advertiser requirements

- 12) Over 50% of revenue from durable or semi-durable goods
- 13) Own brick and mortar sites in 30 or more states
  - 14) Not imported from preexisting shared mail program
  - 15) Not imported from solo mail program (penalty is paying solo postage)
  - 16) Not new to the ZIP Code or carrier route covered by NSA

#### New-mailing threshold

- 17) 1,000,000 pieces in first 12 months

The Postal Service admits that only Valassis could pass through all 17 gates. What it doesn't admit is that few to none of these artificial gates into the favored market space is reasonably related to a third-party intermediary's ability to offer an effective multi-market advertising campaign using Saturation mail. There is only one truly necessary capability that a direct marketing company would need to attract Saturation mail business from national retailers. That is a track record of successfully managing geographically targeted mailings that are national in scope.

In delivering messages through the Saturation mail channel, the main logistical challenge would be to manage the large carrier force that would be needed to accomplish delivery. That carrier force is employed and managed by the Postal Service's rather than Valassis. Therefore, one would wonder why other direct marketing companies with a national reach but somewhat smaller volume, frequency of

mailing, or geographic footprint than Valassis should not also be eligible to recruit national retailers for multi-market advertising on favored terms.

To take one example, according to its FY 2011 10K report, Harte Hanks has upwards of \$600 million in annual Saturation mail business, serves 950 postal zones, and has broad capability in distributing geographically targeted messages, whether through Saturation mail, internet sites, mobile phones, or social media.<sup>4</sup> One would wonder why it would be in the Postal Service's interests to fence it out of the Valassis NSAs' protected market space.

For that matter, major newspaper chains have a national reach and expertise in distributing geographically targeted messages. In FY 2011, members of the NAA spent over \$650 million on postage, the majority of which was spent on High Density Flats.<sup>5</sup> One would wonder why they, too, should be fenced out of the market space that the Valassis NSA would protect. One would also wonder why those who mail the circulars of regional department or hardware stores should be fenced out of the protected market space, or those like Valpak who mail letter-shaped circulars should be fenced out of the protected market space simply because they focus on retailers of consumables and services.

All of these mailers would seem to be "similarly situated" within the meaning of section 3622(c)(10). All would help forestall the substitution of private delivery or digital delivery of advertising for shared hardcopy Saturation mail if allowed into the space on favored price terms. The Postal Service has not provided a plausible rationale for excluding these direct marketing companies from the market niche that the Valassis NSA would protect. In terms of section 404a(a)(1) of the PAEA, the discriminatory price structure that it erects "precludes competition" and constitutes an "unfair competitive advantage" which the Postal Service is attempting to secure for itself vis a vis the newspaper industry, setting up Valassis as its proxy for capturing the Sunday circular market.

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<sup>4</sup> <http://www.sec.gov/Archives/edgar/data/45919/000119312512100444/d271856d10k.htm>

<sup>5</sup> <http://www.naa.org/Public-Policy/Government-Affairs/Newspapers-and-the-US-Postal-Service.aspx> .

The Postal Service reported over \$350 million in revenue from High Density Flats in FY 2011, a product used by Newspapers.

*The Valassis NSA would be unlikely to produce a positive net contribution.* The Postal Service asserts that the Valassis NSA would produce a positive net contribution to institutional costs, as section 3622(c)(10) requires. The key assumption underlying its assertion is its assumption that mail that qualifies for the NSA discounts would be new mail. The question is—“new to whom?” Assuming that all 17 qualifying conditions listed above are effectively policed by the Postal Service, qualifying mail would be new to Vallasis. But that isn’t the only test to use in evaluating the financial impact of this NSA. An equally relevant test is whether qualifying mail would be new to the Postal Service. It is unlikely that all, or even most, qualifying mail would be new to the Postal Service.

The market dynamic that the NSA discounts would set in motion was described above. The durable goods retailers targeted by this NSA occupy the Sunday circular market space. If Valassis successfully poaches their business with discounts of up to a third of the regular postage price, newspapers would lose both the targeted inserts carried in house by their delivery boys, and that portion that is mailed High Density and Saturation to non-subscribers. A key point is that the High Density mail lost to the Postal Service as the direct fall out of implementing the Valassis NSA in any particular market area would be full-price HD mail. After those pieces shift to Valassis, they become heavily discounted Saturation mail. Because of the unequal profitability of these pieces before and after they are captured by Valassis, a point will come early on at which the volume success of the Valassis NSA carries within it the seeds of net revenue failure.

Many of the retailers whose advertising dollars may be solicited by Valassis through this NSA currently participate in the general distribution of circulars through the mail via newspapers total market coverage programs at High Density prices. It is possible to analyze how much flat volume shifting out of High Density into Saturation mail would be needed to erase any positive net contribution that would be produced by this NSA. Table 1 details the FY 2011 contribution per piece for Standard Mail Commercial High Density Flats and Saturation Flats.



Table 1: FY 2011 Contribution Per Piece – High Density and Saturation Flats

	<b>Commercial Revenue Per Piece</b>	<b>Cost Per Piece</b>	<b>Contribution Per Piece</b>
<b>High Density Flats</b>	\$ 0.197	\$ 0.109	\$ 0.088
<b>Saturation Flats</b>	\$ 0.161	\$ 0.072	\$ 0.090
source: PRC CAPCALC-STD-R2012-3			
source: USPS-FY11-LR-30 "FY 11 NSA Unit Cost Detail Data Calculation.xls"			

The contribution per piece for these two categories of mail were similar in FY 2011. Both categories average a contribution per piece of 9 cents. Table 2 summarizes the Postal Service's estimate of the net financial impact of the Valassis NSA.

Table 2: Postal Service Estimates of Valassis NSA Volume and Value

	<b>Projected Volume</b>	<b>Projected Contribution</b>	<b>Projected Contribution Per Piece</b>
<b>Low Estimate</b>	137,900,000	\$ 4,745,972	\$ 0.034
<b>High Estimate</b>	440,000,000	\$ 15,341,600	\$ 0.035

Due to the aggressive discounts available to Valassis pursuant to the proposed agreement, the contribution to institutional cost per piece from the "new" volume will be roughly 39 percent of the contribution of Commercial Standard Mail Saturation Flats sent in FY 2011, and 40 percent of the contribution of High Density Flats. Due to this disparity in contribution, Valassis would have to generate **2.55** new Saturation pieces for every **1** High Density Flat that is lost. If retailers move from High Density Flats mailed through newspapers at regular rates and Saturation Flats mailed by Valassis at NSA rates, only a small reduction in the "old" volume is needed to cause a precipitous decline in the value of the proposed NSA. Table 3 details how High Density Flat volumes compare with the Valassis volumes projected by the Postal Service.

Table 3 : Volume of High Density Pieces Shifting to Valassis NSA that Would Erase All Positive Contribution to Institutional Costs

	Projected NSA Contribution	High Density Contribution	Comparable High Density Volume	Projected Valassis Volume
<b>Low Estimate</b>	\$ 4,745,972	\$ 0.088	54,061,735	137,900,000
<b>High Estimate</b>	\$ 15,341,600	\$ 0.088	174,757,364	440,000,000

If the Postal Service's low estimate were correct, and Valassis were to mail just under 140 million pieces during the three year agreement, a corresponding loss of 54 million pieces of High Density Flats would erase any positive contribution from the NSA. To put that number into context, Table 4 details the FY 2011 Standard Mail Commercial High Density Flat and Saturation Flat volumes.

Table 4: High Density Flat and Saturation Flat Volumes

	Volume
<b>FY2011 Commercial High Density Flat Volume</b>	1,923,142,486
<b>Low Estimate Neutral Impact</b>	54,061,735
<b>High Estimate Neutral Impact</b>	174,757,364
<b>Low Estimate as a Percentage of FY 2011 Volume</b>	2.8%
<b>High Estimate as a Percentage of FY 2011 Volume</b>	9.1%
<b>FY2011 Commercial Saturation Flat Volume</b>	9,018,112,935
<b>Valassis NSA Low Estimate</b>	137,900,000
<b>Valassis NSA High Estimate</b>	440,000,000
<b>Low Estimate as a Percentage of FY 2011 Volume</b>	1.5%
<b>High Estimate as a Percentage of FY 2011 Volume</b>	4.9%

A reduction of 54 Million High Density pieces would represent the loss of 2.8% of the FY 2011 volume for that category (54 million pieces is the total over three years, so

the leakage would be 0.9% per year for three years). The diversion of High Density volume precipitated by this NSA is likely to be much more than this, according to the comments filed by Star Tribune Media, Times Publishing Co., and the Tribune Company.

Diversion of volumes and revenue from solo advertising. Another, even more serious potential source of net contribution leakage associated with this NSA is the diversion of solo advertising mailings by national brand department and home improvement stores into heavily discounted NSA mailings.

In its Notice, the Postal Service states that the agreement has been designed for “particular retailers that, as a whole, currently underutilize the mail for distribution of their advertising circulars in Valassis’ existing markets.”<sup>6</sup> In response to CHIR No. 1, question 1, which requested historical volumes, cost and revenues for the mail content that is covered by this agreement, the Postal Service stated that the “Valassis NSA represents new volumes, revenues, and costs that would not exist absent this agreement.”<sup>7</sup> This response dismisses the Commission’s approved methodology for estimating the net revenue impact of a NSA, recently discussed in Docket No. RM2010-9. Furthermore, this response implies that the particular retailers that are the target of this NSA made no use of the Postal Service in FY 2011.

The Postal Service elaborated on this unsupported assumption in response to CHIR No. 3, where it stated that “the NSA is aimed at enabling a rightpriced saturation shared mail program for national durable and semi-durable goods retail advertisers that are not currently using the mail for their general-distribution advertising.”<sup>8</sup> The agreement is narrowly drawn, as the Postal Service puts it, to focus on “particular retailers.” The identities of these retailers have not been provided in this docket. The retailers targeted by this NSA must have brick and mortar stores in at least 30 states.

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<sup>6</sup> Notice of the United States Postal Service of Filing of Contract and Supporting Data and Request to Add Valassis Direct Mail, Inc. Negotiated Service Agreement to the Market-Dominant Product List (April 30, 2012) at 3.

<sup>7</sup> Response of the United States Postal Service to Chairmans’s Information Request No. 1 (May 16, 2012) at 1

<sup>8</sup> Response of the United States Postal Service to Chairmans’s Information Request No. 1 (May 21, 2012) at 2

This puts them in the top handful of retailers in the economy in terms of size. It is highly unlikely that retailers with this much market heft made no use the mails to market their products in FY 2011. The revenue risk that this circumstance presents is that major retailers, most of whom already use the mails for solo distribution of advertising, will shift that mail into deeply discounted NSA mail.

*The specific restrictions on participation in the Valassis NSA are arbitrary and unenforceable.* The roster of major retailers that would qualify for participation in the NSA on the basis of geographic footprint and product mix (percent of revenue from consumer durables and semi-durables), and major retailers who would be disqualified, is inventoried in the Appendix to these comments. The Public Representative analyzed publicly available 10-K financial statements for the 100 largest retail companies, as measured by retail sales by the National Retail Foundation.<sup>9</sup> 10-Ks provide valuable insight into the types of goods sold by a business, as well as the network of retail stores that these businesses maintain.

The Postal Service has not stated how it will measure the NSA inserts for compliance with the contract language which states that participating retailers are defined as those “primarily offering durable and semi-durable goods and having a physical retail outlet presence in 30 or more states.”<sup>10</sup> The Postal Service has broadly defined both terms in responses to CHIRs. In response to CHIR 2 question 2, the Postal Service stated that “non-durable goods include consumables and goods that have a lifespan of less than three years. Examples include food, cosmetics, cleaning supplies, drugs, and sundries.”<sup>11</sup> The Postal Service further defined the word “primarily” used in the contract language in response to CHIR 2 question 3, stating “Primarily means more than half, as measured by sales.”<sup>12</sup> Using these broad definitions, the top 100 retailers were categorized into “qualifying” and “not-qualifying” categories if 50.0%

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<sup>9</sup> The list of the “Top 100” can be found at <http://www.stores.org/2011/Top-100-Retailers>

<sup>10</sup> Contract section IV subpart D.

<sup>11</sup> Response of the United States Postal Service to Chairman’s Information Request No. 2 (May 18, 2012) at 3

<sup>12</sup> Response of the United States Postal Service to Chairman’s Information Request No. 2 (May 18, 2012) at 4

or more of their revenue was generated from non-consumable goods.<sup>13</sup> Companies that generated more than 50.0% of their revenue from durable or semi-durable goods also must have a retail presence in 30 or more states. In order to qualify for participation in this agreement, retailers must “qualify” under both metrics.

The following table contains a summary of the qualifying results of the “Top 100.”

**Top 100 Retailers Who Are Eligible to Participate in the Valassis NSA**

<b>Number of Retailers</b>	100
<b>Total Revenue of Top 100 Retailers</b>	\$ 1,614,320,000,000
<b>Total Retail Outlets of Top 100 Retailers</b>	243,141
<b>Number of Retailers that Pass "Primarily" Revenue Test</b>	47
<b>Number of Retailers that Pass Retail Access Test</b>	65
<b>Number of Retailers that Pass both Tests and Qualify</b>	<b>35</b>
<b>Total Revenue of Top 100 Retailers that Qualify</b>	\$ 510,145,000,000

Only 35 of the “Top 100” retailers will qualify for participation in the Valassis NSA, based on the constraints in the contract. Given the difficulty of gathering and interpreting information regarding the revenue of many companies, especially private companies that do not file 10-K statements with the SEC, it is clear that it will be nearly impossible to legitimately implement the restriction that advertisers “primarily” sell durable and semi-durable goods. By way of illustration, the Postal Service, at this juncture, has only specified one retailer that will be eligible for participation in this agreement. In CHIR 2 question 3 part b, the Postal Service was asked if Walmart, which sells a wide variety of goods (some durable and some consumable), would

<sup>13</sup> It should be noted that, while the Bureau of Economic Analysis does report on the macro-economic data regarding durable and non-durable goods, there does not appear to be industry accepted categorization of individual companies into these classifications.

qualify for participation. The Postal Service responded that Walmart would be eligible, because it is a retailer offering primarily durable and semi-durable goods.

The following table is taken from page 5 of Walmart's FY 2011 10-K report.

"The percentage of net sales for the Walmart U.S. segment, including online sales, represented by each strategic merchandise unit was as follows during the fiscal years ended:"

STRATEGIC MERCHANDISE UNITS	January 31,	
	2012	2011
Grocery	55%	53%
Entertainment	12%	12%
Hardlines	10%	11%
Health and wellness	11%	11%
Apparel	7%	8%
Home	5%	5%
Total	<u>100%</u>	<u>100%</u>

Walmart, as the nation's largest retailer, is kind enough to provide investors with an in-depth analysis of its business lines, and offers the following definitions to clarify what these percentages apply to:

**Merchandise.** Walmart U.S. does business in six strategic merchandise units, listed below, across several store formats including supercenters, discount stores, Neighborhood Markets and other small store formats. The percentage of net sales calculated below reflects sales of our brick and mortar stores, as well as sales of our online business.

- (1) Grocery consists of a full line of grocery items, including meat, produce, deli, bakery, dairy, frozen foods, alcoholic and nonalcoholic beverages, floral and dry grocery, as well as consumables such as health and beauty aids, baby products, household chemicals, paper goods and pet supplies;
- (2) Entertainment contains electronics, toys, cameras and supplies, photo processing services, cellular phones, cellular service plan contracts and prepaid service and books;
- (3) Hardlines consist of stationery, automotive accessories, hardware and paint, sporting goods, fabrics and crafts and seasonal merchandise;
- (4) Health and wellness includes pharmacy and optical services;
- (5) Apparel includes apparel for women, girls, men, boys and infants, shoes, jewelry and accessories; and
- (6) Home includes home furnishings, housewares and small appliances, bedding, home décor, outdoor living and horticulture.

In both FY 2010 and FY 2011, Walmart generated more than 50.0% of its revenues by selling consumable, such as groceries. Based on the definitions provided by the Postal Service in this docket, Walmart could not qualify for participation in this NSA.

This analysis leads to three important questions regarding the intent and implementation of this NSA:

1. Should the Postal Service be discriminating against competitors within a submarket by implementing an NSA?

The contract language that specifies what retailers will be eligible for participation has confusing and counter-intuitive results. One consequence of this language is that the Postal Service will be “choosing” which company in a set of competitors is eligible to receive discounts on postal advertising. Why the Postal Service should have the authority to engage in third degree price discrimination not just across segments of the economy but with respect to specific companies within a submarket has not been explained in this docket.

The following are three examples where companies compete with each other, but only one of the companies would qualify to participate in this NSA. This highlights the arbitrariness of the criteria used for eligibility, and the their unintended consequences:

- Walmart and Target are Supercenter competitors, but only Target will qualify for participation (due to Target’s lower percentage of revenue from groceries)
  - Marshalls and Ross are “off-price department stores” engaged in competition.<sup>14</sup> Marshalls qualifies, but Ross has stores in 29 states, and would not qualify.
  - Staples and Office Max are both office supply stores. In FY 2011, 49.9% of Staples’ revenue was generated from office supplies and services. It narrowly qualifies for participation.<sup>15</sup> In FY 2011, Office Max generated 57% of its revenue from office supplies. It does not qualify for participation.<sup>16</sup>
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2. If only 35 of the largest 100 retailers qualify, why has the Postal Service not provided information regarding who will qualify AND historical information regarding the use of the mail for these retailers?

<sup>14</sup> [http://en.wikipedia.org/wiki/Ross\\_Dress\\_for\\_Less](http://en.wikipedia.org/wiki/Ross_Dress_for_Less), <http://en.wikipedia.org/wiki/Marshalls>

<sup>15</sup> <http://www.sec.gov/Archives/edgar/data/791519/000079151912000003/a201110k.htm> page 3

<sup>16</sup> <http://www.sec.gov/Archives/edgar/data/12978/000119312512077611/d224907d10k.htm> page 24

This NSA is aimed at “particular retailers,” but the Postal Service has not provided any information on who these retailers are. Given that only 35% of the largest 100 retailers will qualify, it is hard to imagine that more than a few hundred retailers will qualify. If the Postal Service has identified who has qualified, it should have produced an analysis regarding the historical use of the mail by these companies. The Postal Service has made a series of unsubstantiated claims that the retailers targeted with this agreement are not currently using the mail (either “underutilizing” or “not currently using the mail,” depending on the date). But the retailers that will be eligible for this agreement are not a vague unknown.

Only a select group of large retailers can pass through the gates set up by the contract language. Optimistically, the Postal Service has developed this analysis and has chosen not to share it with the postal community. It is possible that the contract has been precisely worded to target retailers who currently do not use the mail, as the Postal Service argues. In order for the Commission to make an informed judgment regarding the financial impact of the proposal, the historical usage of the mail by the retailers that qualify for the agreement would need to be available. This information would also clarify the potential impact to the current marketplace.

3. Given a lack of publicly available information, how will the Postal Service measure compliance with the contract terms?

The analysis in Appendix A is for the largest 100 retailers, many of whom have significant stakeholder pressure for transparency. For many of these companies, the 10-K reports provide specific information regarding the revenue from different business lines. However, many of the largest 100 companies are private, and no information is available. Others do not differentiate revenues from consumables and durable goods. As the retailer revenue passed below the \$5 billion mark, the 10-K reports became vague regarding revenue from different business lines. Without strong standards and easily reportable metrics, it will be nearly impossible for the Postal Service or Valassis to determine if a retailer qualifies for participation. Regarding compliance, the Postal Service has stated that it “will monitor the content and verify the advertisers in the



package.”<sup>17</sup> It further states that it “will also conduct quarterly audits to ensure that the “contract pieces” as defined in the NSA are meeting the specified contract requirements.”<sup>18</sup>

The Postal Service apparently has faith that the discounts are valuable enough to Valassis such that Valassis will ensure compliance: “the substantial penalties for violation of the terms of the agreement concerning eligible advertisers, shifting advertising from Valassis' existing programs, and migration of solo mail will, in the Postal Service's view, provide strong incentives for full compliance.”<sup>19</sup> Even acting in good faith, Valassis may not be able to gather information sufficient to ensure compliance with the contract language for specific companies.

Because mailing services companies and other proxies are often used when a major retailer makes a solo promotional mailing, it would be almost impossible for the Postal Service to track the mailing activity of the top 50 or top 100 retailers. If their mailing activity could be effectively tracked, almost all would be disqualified on the grounds of recent use of Standard mail to market their products.<sup>20</sup> With respect to net revenue contribution, the point to be made here is that the potential of the Valassis NSA to lose existing contribution from solo mailings of national brand retailers by encouraging them to shift such mailings to deeply discounted NSA mailings is substantial. This revenue risk must be added to the certainty that a major share of national retailers' advertising circulars currently mailed as HD or Saturation mail through newspaper programs would be shifted to heavily discounted NSA mail if Valassis were to widely implement the agreement.

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<sup>17</sup> Response of the United States Postal Service to Chairman's Information Request No. 1 (May 16, 2012) at 5

<sup>18</sup> Response of the United States Postal Service to Chairman's Information Request No. 1 (May 16, 2012) at 5

<sup>19</sup> Response of the United States Postal Service to Chairman's Information Request No. 1 (May 16, 2012) at 6

<sup>20</sup> The Postal Service has not provided historical volumes for Valassis or any of the “particular retailers” that are eligible or may be likely to participate in this agreement. As such, it is impossible for interested parties to estimate the net financial impact of this NSA using the Commission's approved methodology. It should be noted, however, that the FY 2011 elasticity for Commercial Standard Mail is -0.782 (the least inelastic of all market dominant products), as reported by the Postal Service in the January 16, 2012 letter from Andrew German.

*The idiosyncratic discount structure has major anti-competitive ramifications. A major risk of disruption of the market for delivery of Sunday circulars is raised by the idiosyncrasies of the proposed discount structure. The ounce structure of the discount is shown below.*

<u>Ounce-rate schedule</u>	
4 – 6.5 oz	20% off published DDU rate or SCR rate
6.5 – 9 oz	17.2 cents (DDU)                      18.5 cents (SCF)
9 – 11 oz	22.1 cents (DDU)                      22.9 cents (SCF)
(or 22 to 34 % rebates if rates adjusted)	
Over 11 oz	20% off published DDU or SCF rate

The 4 ounce minimum means that 6 to 7 circulars from that many advertisers would need to be assembled in order to launch an NSA program in a particular existing market geographic market. If, however, that 4-ounce threshold were reached, the next 2.5 ounces (up to 6.5 ounces) would be available to Valassis for free. That would allow Valassis to add circulars from Target, Macys, Best Buy, Home Depot, and Lowes at no cost to Valassis (and no benefit to the Postal Service). Armed with this discount anomaly, Valassis could recruit those five companies by offering them an advertising contract in which the first year's advertising would be free, if they were to sign, for example, a three-year contract to use Valassis. Valassis would then be in a financial position to outbid any deal that the newspapers could counter with. Such a scenario would be an example of predatory pricing in its purest form—made possible by leveraging the Postal Service's monopoly power, and lethal to newspapers. The Postal Service has offered no rationale whatever to justify a discount structure that gives the green light to this kind of market predation.

Respectfully submitted,

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**Appendix: An Analysis of the Top 100 Retailers in FY 2010**

Rank	Company	2010 USA Retail Sales (\$000)	2010 Stores	Durable/ Semi-Durable	30 States	Qualifying?
1	Wal-Mart	\$307,736,000	4,358	No	Yes	no
2	Kroger	\$ 78,326,000	3,609	No	Unsure	no
3	Target	\$ 65,815,000	1,750	yes	yes	yes
4	Walgreen	\$ 61,240,000	7,456	no	yes	no
5	The Home Depot	\$ 60,194,000	1,966	yes	yes	yes
6	Costco	\$ 58,983,000	412	no	yes	no
7	CVS Caremark	\$ 57,464,000	7,217	no	yes	no
8	Lowe's	\$ 48,175,000	1,723	yes	yes	yes
9	Best Buy	\$ 37,110,000	1,312	yes	yes	yes
10	Sears Holdings	\$ 35,362,000	3,484	yes	yes	yes
11	Safeway	\$ 33,262,000	1,475	no	no	no
12	SUPERVALU	\$ 30,975,000	2,436	no	yes	no
13	Rite Aid	\$ 25,196,000	4,750	no	yea (31)	no
14	Publix	\$ 25,072,000	1,173	no	no	no
15	Macy's	\$ 24,864,000	852	yes	yes	yes
16	Ahold USA / Royal Ahold	\$ 23,518,000	751	no	no	no
17	McDonald's	\$ 23,130,000	14,027	no	yes	no
18	Delhaize America	\$ 18,799,000	1,627	no	no	no
19	Amazon.com	\$ 18,526,000	-	yes	no	no
20	Kohl's	\$ 18,391,000	1,083	yes	yes	yes
21	Apple Stores / iTunes	\$ 18,064,000	233	yes	yes	yes
22	J.C. Penney	\$ 17,659,000	1,099	yes	yes	yes
23	YUM! Brands	\$ 17,306,000	17,619	no	yes	no
24	TJX	\$ 16,751,000	2,206	yes	yes	yes
25	Meijer	\$ 15,319,000	198	private supermarket	no	no
26	True Value	\$ 16,738,000	4,701	yes	yes	yes
27	H-E-B	\$ 14,947,000	299	private supermarket	no	no
28	Dollar General	\$ 13,035,000	9,372	no	yes	no

Rank	Company	2010 USA Retail Sales (\$000)	2010 Stores	Durable/ Semi-Durable	30 States	Qualifying?
29	ShopRite	\$ 11,800,000	273	private supermarket	no	no
30	Gap	\$ 11,718,000	2,502	yes	yes	yes
31	BJ'S Wholesale Club	\$ 10,876,000	189	unclear-private	no	no
32	Subway	\$ 10,373,000	24,200	no	yes	no
33	Wendy's / Arby's Restaurants	\$ 10,026,000	9,406	no	no	no
34	Nordstrom	\$ 9,624,000	204	yes	yes(30)	yes
35	Staples	\$ 9,204,000	1,575	unsure (49.9% office supplies and services)	yes	yes
36	Ace Hardware	\$ 9,101,000	4,047	yes	yes	yes
37	Toys "R" Us	\$ 9,066,000	1,486	unclear-private	yes	yes
38	Whole Foods Markets	\$ 8,736,000	288	no	yes	no
39	Bed Bath & Beyond	\$ 8,700,000	1,114	unclear	yes	yes
40	7-Eleven	\$ 8,513,000	6,586	no	yes	no
41	Burger King Holdings	\$ 8,437,000	7,258	no	yes	no
42	Aldi	\$ 8,362,000	1,135	no	yes	no
43	Army Air Force Exchange	\$ 8,309,000	183	unclear-government	yes	no
44	Limited Brands	\$ 8,247,000	2,645	yes	yes	yes
45	A&P	\$ 8,123,000	382	no	no	no
46	Menard	\$ 8,032,000	260	yes	no	no
47	Verizon Wireless	\$ 8,021,000	2,330	yes	yes	yes
48	Family Dollar	\$ 7,867,000	6,785	no	yes	no
49	Ross Stores	\$ 7,860,000	1,054	yes	no (29)	no
50	Darden Restaurants	\$ 7,603,000	1,824	no	yes	no
51	Starbucks	\$ 7,560,000	11,131	no	yes	no
52	Office Depot	\$ 7,557,000	1,125	unclear	yes	yes
53	Winn-Dixie Stores	\$ 7,207,000	485	no	no	no
54	Hy-Vee	\$ 6,838,000	236	no	no	no
55	Trader Joe's	\$ 6,817,000	359	no	yea (31)	no
56	GameStop	\$ 6,610,000	4,488	yes	yes	yes

Rank	Company	2010 USA Retail Sales (\$000)	2010 Stores	Durable/ Semi- Durable	30 States	Qualify ing?
57	Giant Eagle	\$ 6,398,000	384	no	no	no
58	AutoZone	\$ 6,098,000	4,364	yes	yes	yes
59	Dillard's	\$ 6,020,000	308	yes	no (29)	no
60	DineEquity	\$ 5,884,000	3,295	no	yes	no
61	Advance Auto Parts	\$ 5,876,000	3,537	yes	yes	yes
62	Dollar Tree	\$ 5,801,000	4,055	no	yes	no
63	Barnes & Noble	\$ 5,715,000	1,343	yes	yes	yes
64	OfficeMax	\$ 5,655,000	904	no	yes	no
65	Wegman's Food Markets	\$ 5,599,000	76	no	no	no
66	O'Reilly Automotive	\$ 5,398,000	3,570	yes	yes	yes
67	QVC	\$ 5,236,000	-	n/a	no	no
68	Defense Commissary Agy.	\$ 5,046,000	184	no	yes	no
69	AT&T Wireless	\$ 4,990,000	2,315	yes	yes	yes
70	Save Mart	\$ 4,968,000	238	no	no	no
71	Dell	\$ 4,946,000	-	yes	no	no
72	Big Lots	\$ 4,903,000	1,398	yes	yes	yes
73	PetSmart	\$ 4,839,000	1,118	no	yes	no
74	RadioShack	\$ 4,615,000	5,602	yes	yes	yes
75	Alimentation Couche-Tard	\$ 4,528,000	3,862	no	yes	no
76	Dick's Sporting Goods	\$ 4,414,000	525	yes	yes	yes
77	Albertsons	\$ 4,316,000	221	no	no	no
78	WinCo Foods	\$ 4,300,000	78	no	no	no
79	Sherwin-Williams	\$ 4,226,000	3,279	yes	yes	yes

Rank	Company	2010 USA Retail Sales (\$000)	2010 Stores	Durable/Semi-Durable	30 States	Qualifying?
80	Ruddick Corp.	\$ 4,099,000	199	no	no	no
81	Neiman Marcus	\$ 3,723,000	77	yes	no	no
82	Michaels Stores	\$ 3,673,000	1,103	no	yes	no
83	Burlington Coat Factory	\$ 3,660,000	458	yes	yes	yes
84	Tractor Supply Co.	\$ 3,639,000	1,001	no-livestock?	yes	no
85	Stater Bros. Holdings	\$ 3,607,000	167	no	no	no
86	Foot Locker	\$ 3,577,000	2,592	yes	yes	yes
87	Belk	\$ 3,513,000	305	yes	no	no
88	Price Chopper Supermkts.	\$ 3,500,000	128	no	no	no
89	IKEA North America	\$ 3,459,000	37	yes	no	no
90	Williams-Sonoma	\$ 3,447,000	577	yes	yes	yes
91	Sports Authority	\$ 3,409,000	464	yes	yes	yes
92	SonyStyle	\$ 3,401,000	55	yes	no	no
93	Raley's	\$ 3,364,000	143	no	no	no
94	OSI Restaurant Partners	\$ 3,314,000	1,249	no	yes	no
95	Ingles Markets	\$ 3,274,000	202	no	no	no
96	Brinker International	\$ 3,090,000	1,337	no	yes	no
97	HSN	\$ 2,998,000	20	yes	no	no
98	Bon-Ton Stores	\$ 2,980,000	275	yes	no	no
99	Abercrombie & Fitch	\$ 2,846,000	1,017	yes	yes	yes
100	ShopKo Stores	\$ 2,832,000	341	yes	no	no

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35	Ace Hardware	<a href="http://www.sec.gov/Archives/edgar/data/791519/000079151912000003/a201110k.htm">http://www.sec.gov/Archives/edgar/data/791519/000079151912000003/a201110k.htm</a>	<a href="http://en.wikipedia.org/wiki/Staples_Inc.">http://en.wikipedia.org/wiki/Staples_Inc.</a>
36	Toys "R" Us	<a href="http://ourcompany.acehardware.com/pdfs/2011Q4pressrelease.pdf">http://ourcompany.acehardware.com/pdfs/2011Q4pressrelease.pdf</a>	<a href="http://ourcompany.acehardware.com/pdfs/2011Q4pressrelease.pdf">http://ourcompany.acehardware.com/pdfs/2011Q4pressrelease.pdf</a>
37	Whole Foods Markets	<a href="http://en.wikipedia.org/wiki/Toys_%22R%22_Us#cite_note-4">http://en.wikipedia.org/wiki/Toys_%22R%22_Us#cite_note-4</a>	<a href="http://phx.corporate-ir.net/phoenix.zhtml?c=120622&amp;p=irol-sec">http://phx.corporate-ir.net/phoenix.zhtml?c=120622&amp;p=irol-sec</a>
38		<a href="http://www.sec.gov/Archives/edgar/data/865436/000110465911065946/a11-28314_110k.htm">http://www.sec.gov/Archives/edgar/data/865436/000110465911065946/a11-28314_110k.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/865436/000110465911065946/a11-28314_110k.htm">http://www.sec.gov/Archives/edgar/data/865436/000110465911065946/a11-28314_110k.htm</a>
		<a href="http://www.google.com/url?sa=t&amp;rct=j&amp;q=&amp;esrc=s&amp;source=web&amp;cd=9&amp;ved=0CHEQFjAI&amp;url=http%3A%2F%2Fwww.gemengdebranche.nl%2Fwebsites%2Fgebra_vakbladen%2Ffiles%2FUSHousewaresMkt_11%2520-%2520kopie.ppt&amp;ei=uF68T-_iNI2ZhQe0I4GYDw&amp;usg=AFQjCNFm mi3S6udg-wdnpqSGoJbdkuQE6Q&amp;sig2=zDZPa5LYihmlB2gQvIMUZg">http://www.google.com/url?sa=t&amp;rct=j&amp;q=&amp;esrc=s&amp;source=web&amp;cd=9&amp;ved=0CHEQFjAI&amp;url=http%3A%2F%2Fwww.gemengdebranche.nl%2Fwebsites%2Fgebra_vakbladen%2Ffiles%2FUSHousewaresMkt_11%2520-%2520kopie.ppt&amp;ei=uF68T-_iNI2ZhQe0I4GYDw&amp;usg=AFQjCNFm mi3S6udg-wdnpqSGoJbdkuQE6Q&amp;sig2=zDZPa5LYihmlB2gQvIMUZg</a>	
39	Bed Bath & Beyond		<a href="http://www.sec.gov/Archives/edgar/data/886158/000110465912027814/a12-3159_110k.htm">http://www.sec.gov/Archives/edgar/data/886158/000110465912027814/a12-3159_110k.htm</a>
40	7-Eleven	<a href="http://en.wikipedia.org/wiki/7-11">http://en.wikipedia.org/wiki/7-11</a>	<a href="http://en.wikipedia.org/wiki/7-11">http://en.wikipedia.org/wiki/7-11</a>
41	Burger King Holdings	<a href="http://en.wikipedia.org/wiki/Burger_King">http://en.wikipedia.org/wiki/Burger_King</a>	<a href="http://en.wikipedia.org/wiki/Burger_King">http://en.wikipedia.org/wiki/Burger_King</a>
42	Aldi	<a href="http://en.wikipedia.org/wiki/Aldi#cite_note-SUD-7">http://en.wikipedia.org/wiki/Aldi#cite_note-SUD-7</a>	<a href="http://www.aldi-sued.de/de/html/company/daten_und_fakten.htm">http://www.aldi-sued.de/de/html/company/daten_und_fakten.htm</a>
43	Army Air Force Exchange Limited	<a href="http://www.shopmyexchange.com/ExchangeStores/faq.htm">http://www.shopmyexchange.com/ExchangeStores/faq.htm</a>	<a href="http://en.wikipedia.org/wiki/Army_Air_Force_Exchange">http://en.wikipedia.org/wiki/Army_Air_Force_Exchange</a>
44	Brands	<a href="http://www.sec.gov/Archives/edgar/data/701985/00070198512000021/1td128201210k.htm">http://www.sec.gov/Archives/edgar/data/701985/00070198512000021/1td128201210k.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/701985/00070198512000021/1td128201210k.htm">http://www.sec.gov/Archives/edgar/data/701985/00070198512000021/1td128201210k.htm</a>
45	A&P	<a href="http://en.wikipedia.org/wiki/A_and_P">http://en.wikipedia.org/wiki/A_and_P</a>	<a href="http://apteam.com/media/key-facts">http://apteam.com/media/key-facts</a>
46	Menard	<a href="http://en.wikipedia.org/wiki/Menards">http://en.wikipedia.org/wiki/Menards</a>	<a href="http://en.wikipedia.org/wiki/Menards">http://en.wikipedia.org/wiki/Menards</a>
47	Verizon Wireless	<a href="http://www.sec.gov/Archives/edgar/data/732712/000119312512077846/d257450d10k.htm">http://www.sec.gov/Archives/edgar/data/732712/000119312512077846/d257450d10k.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/732712/000119312512077846/d257450d10k.htm">http://www.sec.gov/Archives/edgar/data/732712/000119312512077846/d257450d10k.htm</a>
48	Family Dollar	<a href="http://www.sec.gov/Archives/edgar/data/34408/000119312511279946/d208764d10k.htm">http://www.sec.gov/Archives/edgar/data/34408/000119312511279946/d208764d10k.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/34408/000119312511279946/d208764d10k.htm">http://www.sec.gov/Archives/edgar/data/34408/000119312511279946/d208764d10k.htm</a>
49	Ross Stores	<a href="http://www.sec.gov/Archives/edgar/data/745732/000120677412001210/rossstores_10k.htm">http://www.sec.gov/Archives/edgar/data/745732/000120677412001210/rossstores_10k.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/745732/000120677412001210/rossstores_10k.htm">http://www.sec.gov/Archives/edgar/data/745732/000120677412001210/rossstores_10k.htm</a>
50	Darden Restaurants	<a href="http://www.sec.gov/Archives/edgar/data/940944/000119312511194810/d10k.htm">http://www.sec.gov/Archives/edgar/data/940944/000119312511194810/d10k.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/940944/000119312511194810/d10k.htm">http://www.sec.gov/Archives/edgar/data/940944/000119312511194810/d10k.htm</a>
51	Starbucks	<a href="http://en.wikipedia.org/wiki/Starbucks">http://en.wikipedia.org/wiki/Starbucks</a>	<a href="http://en.wikipedia.org/wiki/Starbucks">http://en.wikipedia.org/wiki/Starbucks</a>

52	Office Depot Winn-Dixie Stores	<a href="http://www.sec.gov/Archives/edgar/data/800240/000119312512083271/d268330d10k.htm">http://www.sec.gov/Archives/edgar/data/800240/000119312512083271/d268330d10k.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/800240/000119312512083271/d268330d10k.htm">http://www.sec.gov/Archives/edgar/data/800240/000119312512083271/d268330d10k.htm</a>
53	Hy-Vee Trader	<a href="http://www.sec.gov/Archives/edgar/data/107681/000119312510200594/d10k.htm">http://www.sec.gov/Archives/edgar/data/107681/000119312510200594/d10k.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/107681/000119312510200594/d10k.htm">http://www.sec.gov/Archives/edgar/data/107681/000119312510200594/d10k.htm</a>
54	Joe's GameStop	<a href="http://en.wikipedia.org/wiki/Hy-Vee#cite_note-Forbes-1">http://en.wikipedia.org/wiki/Hy-Vee#cite_note-Forbes-1</a>	<a href="http://en.wikipedia.org/wiki/Hy-Vee#cite_note-Forbes-1">http://en.wikipedia.org/wiki/Hy-Vee#cite_note-Forbes-1</a>
55	p Giant Eagle	<a href="http://en.wikipedia.org/wiki/Trader_Joe%27s">http://en.wikipedia.org/wiki/Trader_Joe%27s</a>	<a href="http://en.wikipedia.org/wiki/Trader_Joe%27s">http://en.wikipedia.org/wiki/Trader_Joe%27s</a>
56	AutoZone	<a href="http://www.sec.gov/Archives/edgar/data/1326380/000119312512134615/d283661d10k.htm">http://www.sec.gov/Archives/edgar/data/1326380/000119312512134615/d283661d10k.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/1326380/000119312512134615/d283661d10k.htm">http://www.sec.gov/Archives/edgar/data/1326380/000119312512134615/d283661d10k.htm</a>
57	Dillard's DineEquity	<a href="http://en.wikipedia.org/wiki/File:GiantEagle_footprint.png">http://en.wikipedia.org/wiki/File:GiantEagle_footprint.png</a>	<a href="http://en.wikipedia.org/wiki/File:GiantEagle_footprint.png">http://en.wikipedia.org/wiki/File:GiantEagle_footprint.png</a>
58	y Advance Auto Parts	<a href="http://www.sec.gov/Archives/edgar/data/866787/000095012311091540/c22621e10vk.htm">http://www.sec.gov/Archives/edgar/data/866787/000095012311091540/c22621e10vk.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/866787/000095012311091540/c22621e10vk.htm">http://www.sec.gov/Archives/edgar/data/866787/000095012311091540/c22621e10vk.htm</a>
59	Dollar Tree	<a href="http://www.sec.gov/Archives/edgar/data/28917/000104746912003143/a2208236z10-k.htm">http://www.sec.gov/Archives/edgar/data/28917/000104746912003143/a2208236z10-k.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/28917/000104746912003143/a2208236z10-k.htm">http://www.sec.gov/Archives/edgar/data/28917/000104746912003143/a2208236z10-k.htm</a>
60	Barnes & Noble	<a href="http://www.sec.gov/Archives/edgar/data/49754/00004975412000005/din-12312011x10k.htm">http://www.sec.gov/Archives/edgar/data/49754/00004975412000005/din-12312011x10k.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/49754/00004975412000005/din-12312011x10k.htm">http://www.sec.gov/Archives/edgar/data/49754/00004975412000005/din-12312011x10k.htm</a>
61	OfficeMax	<a href="http://www.sec.gov/Archives/edgar/data/1158449/000115844912000029/aap_10kx12312011.htm">http://www.sec.gov/Archives/edgar/data/1158449/000115844912000029/aap_10kx12312011.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/1158449/000115844912000029/aap_10kx12312011.htm">http://www.sec.gov/Archives/edgar/data/1158449/000115844912000029/aap_10kx12312011.htm</a>
62	x Wegman's Food Markets	<a href="http://www.sec.gov/Archives/edgar/data/935703/000093570312000007/form10k.htm">http://www.sec.gov/Archives/edgar/data/935703/000093570312000007/form10k.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/935703/000093570312000007/form10k.htm">http://www.sec.gov/Archives/edgar/data/935703/000093570312000007/form10k.htm</a>
63	O'Reilly Automotive	<a href="http://www.sec.gov/Archives/edgar/data/890491/000119312511176910/d10k.htm">http://www.sec.gov/Archives/edgar/data/890491/000119312511176910/d10k.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/890491/000119312511176910/d10k.htm">http://www.sec.gov/Archives/edgar/data/890491/000119312511176910/d10k.htm</a>
64	QVC	<a href="http://www.sec.gov/Archives/edgar/data/12978/000119312512077611/d224907d10k.htm">http://www.sec.gov/Archives/edgar/data/12978/000119312512077611/d224907d10k.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/12978/000119312512077611/d224907d10k.htm">http://www.sec.gov/Archives/edgar/data/12978/000119312512077611/d224907d10k.htm</a>
65	Defense Commissary Agy.	<a href="http://en.wikipedia.org/wiki/Wegmans">http://en.wikipedia.org/wiki/Wegmans</a>	<a href="http://en.wikipedia.org/wiki/File:Wegmans_footprint.png">http://en.wikipedia.org/wiki/File:Wegmans_footprint.png</a>
66	AT&T	<a href="http://www.sec.gov/Archives/edgar/data/898173/000119312512085384/d307773d10k.htm">http://www.sec.gov/Archives/edgar/data/898173/000119312512085384/d307773d10k.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/898173/000119312512085384/d307773d10k.htm">http://www.sec.gov/Archives/edgar/data/898173/000119312512085384/d307773d10k.htm</a>
67	Wireless Save Mart	<a href="http://en.wikipedia.org/wiki/QVC">http://en.wikipedia.org/wiki/QVC</a>	<a href="http://en.wikipedia.org/wiki/QVC">http://en.wikipedia.org/wiki/QVC</a>
68	Dell	<a href="http://www.commissaries.com/press_room/document/s/AnnualReport.pdf">http://www.commissaries.com/press_room/document/s/AnnualReport.pdf</a>	<a href="http://www.commissaries.com/stores/html/storecfm">http://www.commissaries.com/stores/html/storecfm</a>
69	Big Lots	<a href="http://www.sec.gov/Archives/edgar/data/732717/000073271712000025/ye11_10k.htm">http://www.sec.gov/Archives/edgar/data/732717/000073271712000025/ye11_10k.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/732717/000073271712000025/ye11_10k.htm">http://www.sec.gov/Archives/edgar/data/732717/000073271712000025/ye11_10k.htm</a>
70	PetSmart	<a href="http://en.wikipedia.org/wiki/Save_Mart">http://en.wikipedia.org/wiki/Save_Mart</a>	<a href="http://en.wikipedia.org/wiki/Save_Mart">http://en.wikipedia.org/wiki/Save_Mart</a>
71	RadioShack	<a href="http://www.sec.gov/Archives/edgar/data/826083/000082608312000006/dell10k020312.htm">http://www.sec.gov/Archives/edgar/data/826083/000082608312000006/dell10k020312.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/826083/000082608312000006/dell10k020312.htm">http://www.sec.gov/Archives/edgar/data/826083/000082608312000006/dell10k020312.htm</a>
72	Alimentation Couche- Tard	<a href="http://www.sec.gov/Archives/edgar/data/768835/000076883512000045/big-2012128x10k.htm">http://www.sec.gov/Archives/edgar/data/768835/000076883512000045/big-2012128x10k.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/768835/000076883512000045/big-2012128x10k.htm">http://www.sec.gov/Archives/edgar/data/768835/000076883512000045/big-2012128x10k.htm</a>
73	Dick's Sporting Goods	<a href="http://www.sec.gov/Archives/edgar/data/863157/000119312512128305/d262844d10k.htm">http://www.sec.gov/Archives/edgar/data/863157/000119312512128305/d262844d10k.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/863157/000119312512128305/d262844d10k.htm">http://www.sec.gov/Archives/edgar/data/863157/000119312512128305/d262844d10k.htm</a>
74	Circle K	<a href="http://www.sec.gov/Archives/edgar/data/96289/00009628912000009/form10k123111.htm">http://www.sec.gov/Archives/edgar/data/96289/00009628912000009/form10k123111.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/96289/00009628912000009/form10k123111.htm">http://www.sec.gov/Archives/edgar/data/96289/00009628912000009/form10k123111.htm</a>
75	Circle K	<a href="http://en.wikipedia.org/wiki/Circle_K">http://en.wikipedia.org/wiki/Circle_K</a>	<a href="http://en.wikipedia.org/wiki/Circle_K">http://en.wikipedia.org/wiki/Circle_K</a>
76	Circle K	<a href="http://www.sec.gov/Archives/edgar/data/1089063/000104746912002799/a2208040z10-k.htm">http://www.sec.gov/Archives/edgar/data/1089063/000104746912002799/a2208040z10-k.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/1089063/000104746912002799/a2208040z10-k.htm">http://www.sec.gov/Archives/edgar/data/1089063/000104746912002799/a2208040z10-k.htm</a>

77	Albertson s WinCo	<a href="http://en.wikipedia.org/wiki/Albertsons_LLC">http://en.wikipedia.org/wiki/Albertsons_LLC</a>	<a href="http://en.wikipedia.org/wiki/File:Albertsons_Map.svg">http://en.wikipedia.org/wiki/File:Albertsons_Map.svg</a>
78	Foods	<a href="http://en.wikipedia.org/wiki/WinCo_Foods">http://en.wikipedia.org/wiki/WinCo_Foods</a>	<a href="http://en.wikipedia.org/wiki/WinCo_Foods">http://en.wikipedia.org/wiki/WinCo_Foods</a>
79	Sherwin- Williams	<a href="http://www.sec.gov/Archives/edgar/data/89800/000119312512075061/d259918d10k.htm">http://www.sec.gov/Archives/edgar/data/89800/000119312512075061/d259918d10k.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/89800/000119312512075061/d259918d10k.htm">http://www.sec.gov/Archives/edgar/data/89800/000119312512075061/d259918d10k.htm</a>
80	Ruddick Corp.	<a href="http://www.sec.gov/Archives/edgar/data/85704/000114544311001198/d28563_10-k.htm">http://www.sec.gov/Archives/edgar/data/85704/000114544311001198/d28563_10-k.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/85704/000114544311001198/d28563_10-k.htm">http://www.sec.gov/Archives/edgar/data/85704/000114544311001198/d28563_10-k.htm</a>
81	Neiman Marcus	<a href="http://en.wikipedia.org/wiki/Neiman_Marcus">http://en.wikipedia.org/wiki/Neiman_Marcus</a>	<a href="http://en.wikipedia.org/wiki/Neiman_Marcus">http://en.wikipedia.org/wiki/Neiman_Marcus</a>
82	Michaels Stores	<a href="http://en.wikipedia.org/wiki/Michaels#cite_note-Reu01-4">http://en.wikipedia.org/wiki/Michaels#cite_note-Reu01-4</a>	<a href="http://www.referenceforbusiness.com/history/Mi-Nu/Michaels-Stores-Inc.html">http://www.referenceforbusiness.com/history/Mi-Nu/Michaels-Stores-Inc.html</a>
83	Burlingto n Coat Factory	<a href="http://en.wikipedia.org/wiki/Burlington_Coat_Factory">http://en.wikipedia.org/wiki/Burlington_Coat_Factory</a>	<a href="http://en.wikipedia.org/wiki/Burlington_Coat_Factory">http://en.wikipedia.org/wiki/Burlington_Coat_Factory</a>
84	Tractor Supply Co.	<a href="http://www.sec.gov/Archives/edgar/data/916365/00091636512000017/tsco201110k.htm">http://www.sec.gov/Archives/edgar/data/916365/00091636512000017/tsco201110k.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/916365/00091636512000017/tsco201110k.htm">http://www.sec.gov/Archives/edgar/data/916365/00091636512000017/tsco201110k.htm</a>
85	Stater Bros. Holdings	<a href="http://en.wikipedia.org/wiki/Stater_Bros.">http://en.wikipedia.org/wiki/Stater_Bros.</a>	<a href="http://en.wikipedia.org/wiki/Stater_Bros.">http://en.wikipedia.org/wiki/Stater_Bros.</a>
86	Foot Locker	<a href="http://en.wikipedia.org/wiki/Foot_Locker">http://en.wikipedia.org/wiki/Foot_Locker</a>	<a href="http://en.wikipedia.org/wiki/Foot_Locker">http://en.wikipedia.org/wiki/Foot_Locker</a>
87	Belk Price Chopper Supermkt s.	<a href="http://www.belk.com/AST/Misc/Belk_Stores/About_Us/Corporate_Governance/annual_report_pdf.jsp">http://www.belk.com/AST/Misc/Belk_Stores/About_Us/Corporate_Governance/annual_report_pdf.jsp</a>	<a href="http://www.belk.com/AST/Misc/Belk_Stores/About_Us/Corporate_Governance/annual_report_pdf.jsp">http://www.belk.com/AST/Misc/Belk_Stores/About_Us/Corporate_Governance/annual_report_pdf.jsp</a>
88	IKEA North America	<a href="http://en.wikipedia.org/wiki/Price_Chopper_Supermarkets">http://en.wikipedia.org/wiki/Price_Chopper_Supermarkets</a>	<a href="http://en.wikipedia.org/wiki/Price_Chopper_Supermarkets">http://en.wikipedia.org/wiki/Price_Chopper_Supermarkets</a>
89	Williams- Sonoma	<a href="http://en.wikipedia.org/wiki/Ikea">http://en.wikipedia.org/wiki/Ikea</a>	<a href="http://info.ikea-usa.com/StoreLocator/StoreLocator.aspx">http://info.ikea-usa.com/StoreLocator/StoreLocator.aspx</a>
90	Sports Authority	<a href="http://www.sec.gov/Archives/edgar/data/719955/000119312512140070/d287202d10k.htm">http://www.sec.gov/Archives/edgar/data/719955/000119312512140070/d287202d10k.htm</a>	<a href="http://www.sec.gov/Archives/edgar/data/719955/000119312512140070/d287202d10k.htm">http://www.sec.gov/Archives/edgar/data/719955/000119312512140070/d287202d10k.htm</a>
91	SonyStyl e	<a href="http://en.wikipedia.org/wiki/Sports_Authority">http://en.wikipedia.org/wiki/Sports_Authority</a>	<a href="http://en.wikipedia.org/wiki/File:SportsAuthority_footprint.png">http://en.wikipedia.org/wiki/File:SportsAuthority_footprint.png</a>
92	Raley's OSI Restaura nt	<a href="http://en.wikipedia.org/wiki/SonyStyle">http://en.wikipedia.org/wiki/SonyStyle</a>	<a href="http://store.sony.com/webapp/wcs/stores/servlet/CategoryDisplay?catalogId=10551&amp;storeId=10151&amp;langId=-1&amp;identifier=S_SonyStyle_Store_Listing">http://store.sony.com/webapp/wcs/stores/servlet/CategoryDisplay?catalogId=10551&amp;storeId=10151&amp;langId=-1&amp;identifier=S_SonyStyle_Store_Listing</a>
93	Partners Ingles Markets	<a href="http://en.wikipedia.org/wiki/Raleys">http://en.wikipedia.org/wiki/Raleys</a>	<a href="http://www.raleys.com/www/feature/facts.jsp">http://www.raleys.com/www/feature/facts.jsp</a>
94	Brinker Internatio nal	<a href="http://en.wikipedia.org/wiki/OSI_Restaurant_Partners">http://en.wikipedia.org/wiki/OSI_Restaurant_Partners</a>	<a href="http://en.wikipedia.org/wiki/OSI_Restaurant_Partners">http://en.wikipedia.org/wiki/OSI_Restaurant_Partners</a>
95	HSN Bon-Ton Stores	<a href="http://en.wikipedia.org/wiki/Ingles_Markets,_Inc.">http://en.wikipedia.org/wiki/Ingles_Markets,_Inc.</a>	<a href="http://en.wikipedia.org/wiki/Ingles_Markets,_Inc.">http://en.wikipedia.org/wiki/Ingles_Markets,_Inc.</a>
96	Abercrom bie &	<a href="http://en.wikipedia.org/wiki/Brinker_International">http://en.wikipedia.org/wiki/Brinker_International</a>	<a href="http://en.wikipedia.org/wiki/Brinker_International">http://en.wikipedia.org/wiki/Brinker_International</a>
97		<a href="http://en.wikipedia.org/wiki/HSN">http://en.wikipedia.org/wiki/HSN</a>	<a href="http://en.wikipedia.org/wiki/HSN">http://en.wikipedia.org/wiki/HSN</a>
98		<a href="http://en.wikipedia.org/wiki/Bon-Ton">http://en.wikipedia.org/wiki/Bon-Ton</a>	<a href="http://en.wikipedia.org/wiki/Bon-Ton">http://en.wikipedia.org/wiki/Bon-Ton</a>
99		<a href="http://en.wikipedia.org/wiki/Abercrombie_%26_Fitch">http://en.wikipedia.org/wiki/Abercrombie_%26_Fitch</a>	<a href="http://en.wikipedia.org/wiki/Abercrombie_%26_Fitch">http://en.wikipedia.org/wiki/Abercrombie_%26_Fitch</a>

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100 ShopKo  
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