

Overview of the Retail Industry

Deloitte Consulting LLP

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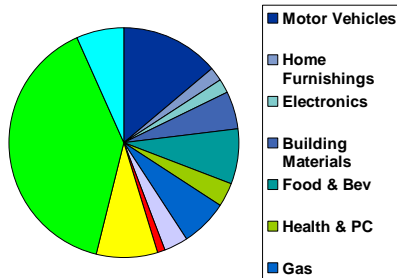
Agenda

- Characteristics of the Retail Industry
- Distribution of Firms by Size
- Distribution of Sales by Size
- Discussion of Selling Channels
- Overview of Payment Processes
- Distribution of Tender Types
- Questions

Characteristics of the Retail Industry

- In 2006 industry sales topped \$4.3 trillion
- Industry consists of over 700,000 firms with the majority having less than 500 employees
- Industry is generally fragmented but dominated by a handful of large firms
- Growth in the industry has moderated over the past several months but has been relatively strong over the past several years, helping to keep the US economy afloat

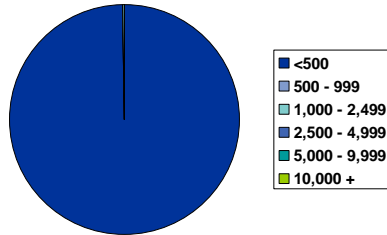
Distribution of Retail by Segment



Segment	Sales
Motor Vehicles	898,624
Home Furnishings	117,659
Electronics / Appliances	108,362
Building Materials	344,728
Food and Beverage	533,779
Health and Personal Care	224,752
Gas	416,246
Clothing	214,876
Sporting Goods	84,772
General Merchandise	552,109
Miscellaneous	115,802
Non-Store	275,654
Food Services	420,367

Distribution of Firms by Size

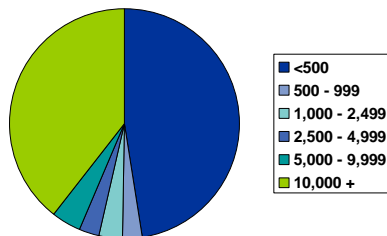
The industry is skewed dramatically to smaller firms



Firm Size	Number
<500	734,940
500 - 999	901
1,000 - 2,499	598
2,500 - 4,999	273
5,000 - 9,999	211
10,000 +	321

Distribution of Sales by Size

Sales are clustered around each end of the spectrum

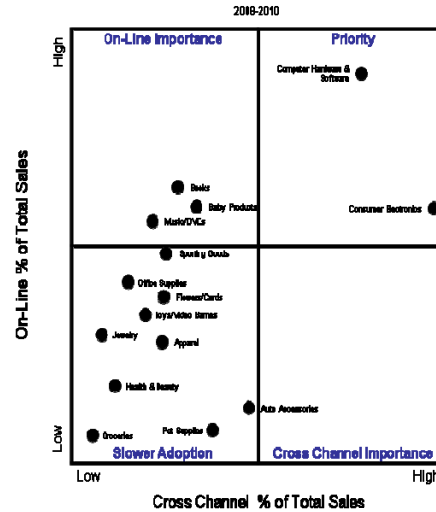


Firm Size	Sales
<500	1,491,760,956
500 - 999	87,192,718
1,000 - 2,499	102,483,824
2,500 - 4,999	88,223,916
5,000 - 9,999	127,695,215
10,000 +	1,237,096,068

Discussion of Selling Channels

- Over the past 10 years new selling channels have begun to emerge
- Bricks and Mortar establishments continue to dominate the landscape but direct channels continue to gain strength
- Internet and Catalog sales continue to grow with increasing importance in cross-channel capabilities

Change In Cross Channel Influence By Retail Category

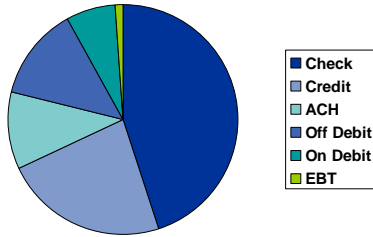


Discussion of Payment Processes

- Within Retail payments are typically processed centrally by 1 of 2 groups
 - Trade payables – handling merchandise payments
 - Expense payables – handling the remaining disbursements
- Taxes and other remittances are often routed through payables by handled / approved by specialty areas such as tax.
- Collection of remittance data is generally automated and does not require a significant amount of management attention or oversight.

Distribution of Payments

Over the past several years there has been a significant movement to electronic payments across US business. This has also been the trend in retail



Payment Type	Percentage
Check	45%
Credit	23%
ACH	11%
Off-line Debit	13%
On-line Debit	7%
Electronic Benefits Transfer	1%