

HOT 100 RETAILERS

Differentiation makes the difference for retailers on the rise.

by DAVID P. SCHULZ

“There is no question that large, undifferentiated retail is in trouble and has been for some time,” says Leon Nicholas, chief insights officer for Kantar Retail, “but the headlines about the closing of American retailing is an overreaction. There is some level of exaggeration.”

That sums up the picture presented by the 2017 edition of STORES Magazine’s Hot 100 Retailers. There is a distinct lack of big-box general merchandise retailers on the chart — no Walmart, no Target, no Costco, no department stores — while there are plenty of businesses that exhibit differentiation in the marketplace, innovative merchandising and an appropriate value proposition for the intended customer base.

What is hot in retailing is what is different. And what’s different is a little bit of everything: meal kits, online building supplies, chain liquor stores and niche supermarkets. What isn’t happening is the collapse of brick-and-mortar retailing. Online retail currently accounts for roughly 10 percent of total retail sales, excluding automobiles and fuel; Kantar Retail sees that increasing to 18 percent by 2022.

Parity is a long way off, Nicholas says. “In 30 or 40 years will it be closer to 50 percent? Sure,” he says, adding that hard goods sales will migrate to ecommerce more quickly but “the more discretionary and the more perishable purchases” will move online at a much slower pace.

“I think innovation is not just an online phenomenon,” Nicholas says, citing as an example Kroger’s takeover of Roundy’s Supermarkets, primarily for its innovative Mariano’s division. Walmart’s acquisition of Jet.com is another example of a bricks-and-mortar retailer purchasing innovation.

“The older, traditional retailers have been operating on [business] models that served them well in the past.

It’s the old-school model like ‘stack it high and watch it fly,’” Nicholas says. When companies take over smaller retailers, “the dynamic involved is that established players are looking to buy market share This is a giant game of catch-up, buying intelligence, buying people, buying credibility.”

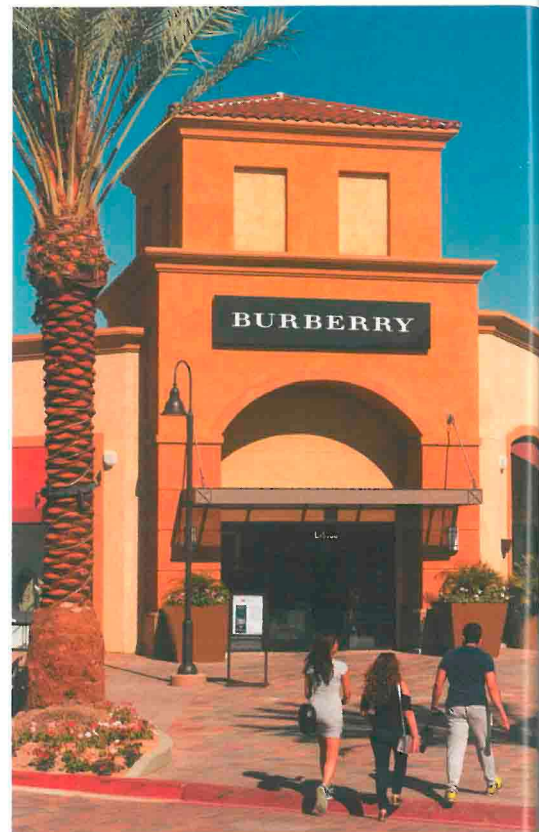
This is evidenced by the crème de la crème of the Hot 100 Retailers. Four of the first five are ecommerce businesses, two of which have been acquired by bricks-and-mortar retailers and two which have followed the public-company trail.

The fifth is No. 3 Ascena Retail Group — parent of such chains as Ann Taylor, Catherines, Dress Barn, Lane Bryant and Maurices — and a perennial hot retailer due to aggressive mergers and acquisitions in recent years. This strategy may no longer be serving it well, however: The company reported a net loss in the last fiscal year and recently announced plans to close about 660 stores after a \$1.03 billion loss in this year’s third quarter.

CAPTURING SHARE

Topping the Hot 100 Retailers chart is Blue Apron, founded five years ago with a mission “to make incredible home cooking accessible to everyone.” The genesis, corporate history goes, was that co-founders Ilia Papas and Matt Salzberg wanted to cook at home with their

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SUSTAINED SIZZLE

Being a hot retailer doesn’t come easily, yet a handful of companies have managed to stay on the Hot 100 Retailers list every year since its inception a dozen years ago.

One of the ways Amazon is keeping itself on the Sustained Sizzle path is through physical stores; the most advanced are bookstores that also serve to showcase its various electronics. The company expects to have at least a dozen in operation by the end of this year in New York, New Jersey, Massachusetts, Illinois, California, Oregon and Washington.

Unlike in most bricks-and-mortar book stores, the volumes in Amazon’s stores do not carry prices. “Amazon’s prices are dynamic,” explains Jennifer Cast, vice president of Amazon Books, which means Amazon will charge whatever it thinks it can get at any given moment. The customers won’t know the price until they scan the book with the Amazon app or at one of the store’s digital kiosks.

Amazon also operates several physical locations that serve as pick-up points for students ordering textbooks, supplies and other merchandise online. The experimenting and tinkering with physical retail formats is just “another way to reach the customer and test what resonates with them,” says Brian T. Olsavsky, Amazon’s chief financial officer.

Dick’s has managed to prevail despite adverse trends over the last few years that have claimed competitors and earlier this year caused Wall Street to lose some confidence in the once high-flying retailer. The company has also pared down store openings for the next two years.

Chief executive Ed Stack notes that newer stores “continue to perform well” and the company is “in great shape from a profitability standpoint.” Dick’s is not planning on closing any stores; the pullback affects only new store openings.

“Our view is that we should not be opening a whole lot of stores right now because we’re going to pay a higher rent today than we would two or three years from now,” Stack says.

This position has been endorsed by many analysts and industry watchers. “Stack is right that Wall Street won’t necessarily like it, but Wall Street doesn’t seem to like negative comps either, and overbuilding stores is a sure way to get them,” says Mark Ryski, CEO of HeadCount Corp.

Company	2011 sales (000)	2016 sales (000)	Change	Average annual growth
Amazon.com	\$26,397,000	\$77,024,000	192%	23.9%
Aldi	\$16,525,000	\$23,491,000	42%	7.3%
Dollar General	\$14,807,000	\$21,987,000	48%	8.2%
Ross Stores	\$8,605,000	\$12,864,000	49%	8.4%
O’Reilly Auto Parts	\$5,789,000	\$8,593,000	48%	8.2%
Dick’s Sporting Goods	\$5,212,000	\$7,922,000	52%	8.7%
Tractor Supply Co.	\$4,233,000	\$6,780,000	60%	9.9%
Academy Sports + Outdoor	\$2,005,000	\$5,133,000	156%	20.7%
Ulta Salon, Cosmetics & Fragrance	\$1,776,000	\$4,614,000	160%	21.0%
Sprouts Farmers Market	\$1,152,000	\$4,046,000	251%	28.6%
Casey’s General Stores	\$1,832,000	\$3,068,000	67%	10.9%
Grocery Outlet	\$643,000	\$1,911,000	197%	24.3%
Sephora (LVMH)	\$1,251,000	\$1,797,000	44%	7.5%
Lululemon Athletica	\$522,000	\$1,608,000	208%	25.2%

Source: Kantar Retail

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families, but found grocery shopping and menu planning burdensome, time-consuming and expensive.

Since then, the company has delivered more than 150 million meals to households, representing about 25 million paid orders. In addition to meal ingredients and cooking instructions, Blue Apron also sells wine, kitchen tools and gadgets, and pantry staples frequently used in recipes. Though the company has yet to make money, it is working on cutting costs, such as lowering the costs of goods sold as a percentage of net revenue from 77.3 percent in 2015 to 67 percent last year.

Blue Apron's annual sales were \$77.8 million in 2014, \$340.8 million in

2015 and \$795.4 million last year. The company currently operates in all 48 contiguous states, with major fulfillment centers in California, New Jersey and Texas, and believes it still has opportunity to grow.

U.S. grocery sales totaled \$781.5 billion last year, according to a Euromonitor study cited by Blue Apron — \$9.7 billion, 1.2 percent, was generated online. Restaurant sales were \$543.1 billion in 2016, 2.2 percent of which were online.

“We believe that our business is poised to capture share from the grocery and restaurant markets and to benefit from shifts in consumer experience over goods, and increasing interest by consumers in where their food comes

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Company	2015 sales (000)	2016 sales (000)	2015 market share	2016 market share	Gain in basis points
Starbucks	\$14,124,000	\$15,775,000	2.3%	2.4%	13
Panda Express	\$2,302,000	\$2,979,000	0.4%	0.5%	8
Domino's Pizza	\$4,810,000	\$5,335,000	0.8%	0.8%	4

Source: Kantar Retail

RESTAURANTS

Restaurants have been offering delivery and engaging in price wars to build business and drive traffic, but they are battling some strong headwinds. Lunchtime traffic at restaurants dropped 2 percent last year, according to NPD Group, translating into 433 million fewer midday visits and \$3.2 billion in lower sales.

“We fundamentally believe food at home is our number one competitor,” says Kurt Kane, chief concept and marketing officer at Wendy’s.

“Restaurant delivery is a \$100 billion market and it’s exploding,” says Lucy Brady, head of corporate strategy and business development for McDonald’s, which now offers delivery from more than 2,000 U.S. locations.

Only three companies appear on this year’s Hot 100 restaurant chart, the fewest ever: Starbucks, Domino’s and Panda Express, the largest Asian food chain in America.

When Howard Schultz announced he was stepping aside as chief executive and turning the reins over to Kevin Johnson, he pledged that growth would return to historic levels. For more than six years, Starbucks’ quarterly same-store sales increased 5 percent or more; when the transition was announced, common stock shares tumbled dramatically.

After a few technology issues, Johnson says the company is ready to focus on expansion. “Over the next five years, we’ve projected building 12,000 additional stores globally, taking us to 37,000 stores,” he says; more than half will be in the United States and China.

Domino’s has delivered six consecutive years of growth and appears headed for another with a 10.2 percent sales increase in the first quarter of the current fiscal year. The company changed the pizza recipe after the lean years following the 2008 financial crisis, adding bolder spices to the sauce, flavoring the crust with garlic and herbs, introducing new cheese combinations and improving the quality of toppings ingredients.

CEO J. Patrick Doyle also oversaw technology developments that have resulted in more than 60 percent of the company’s orders coming via digital platforms.

“We fundamentally believe that voice is a far more effective and efficient way for people to interact with technology,” Doyle says of the company’s voice-ordering app. “What we do with it is going to be refined over time, but we need to get into this and start learning.”

2017 HOT 100 Retailers



Rank	Company	Headquarters/ U.S. headquarters	2016 retail sales (000)	USA sales growth ('16 v '15)	Worldwide retail sales (000)	USA % of worldwide sales	2016 stores	Growth ('16 v '15)
1	Blue Apron	New York	\$795,000	133%	\$795,000	100%	N.A.	N.A.
2	Wayfair	Boston	\$2,993,000	54%	\$3,259,000	92%	N.A.	N.A.
3	Ascena Retail Group	Suffern, N.Y.	\$7,091,000	50%	\$7,249,000	98%	4,816	26%
4	Chewy.com	Dania Beach, Fla.	\$900,000	48%	\$900,000	100%	N.A.	N.A.
5	Build.com / Wolseley	Chico, Calif.	\$911,000	38%	\$4,888,000	19%	N.A.	N.A.
6	CST Brands	San Antonio	\$2,165,000	29%	\$2,436,000	89%	1,405	21%
7	JustFab	El Segundo, Calif.	\$572,000	29%	\$650,000	88%	N.A.	-100%
8	Grupo Comercial Chedraui	Paramont, Calif.	\$1,528,000	27%	\$6,379,000	24%	58	7%
9	Gelson's Markets	Encino, Calif.	\$723,000	26%	\$723,000	100%	25	19%
10	Amazon.com	Seattle	\$77,024,000	25%	\$128,526,000	60%	3	200%
11	Ulta Salon, Cosmetics & Fragrance	Bolingbrook, Ill.	\$4,614,000	24%	\$4,614,000	100%	974	11%
12	Duluth Holdings	Belleville, Wis.	\$376,000	24%	\$376,000	100%	16	78%
13	Burberry	New York	\$766,000	23%	\$3,577,000	21%	61	-7%
14	Torrid	City of Industry, Calif.	\$502,000	23%	\$503,000	100%	451	26%
15	At Home Group	Plano, Texas	\$757,000	22%	\$757,000	100%	125	25%
16	Inditex	Arteixo, Spain	\$307,000	21%	\$18,698,000	2%	81	16%
17	Fiesta Mart	Houston	\$1,819,000	19%	\$1,819,000	100%	83	38%
18	Care Pharmacies Cooperative	Linthicum, Md.	\$675,000	18%	\$675,000	100%	82	4%
19	Ollie's Bargain Outlet Holdings	Harrisburg, Pa.	\$890,000	17%	\$890,000	100%	234	15%
20	Total Wine & More	Potomac, Md.	\$2,325,000	16%	\$2,325,000	100%	150	15%
21	Festival Foods	De Pere, Wis.	\$909,000	16%	\$909,000	100%	25	14%
22	Big Y	Springfield, Mass.	\$1,926,000	16%	\$1,926,000	100%	77	18%
23	Under Armour	Baltimore	\$3,800,000	15%	\$4,646,000	82%	153	-9%
24	Bass Pro Shops	Springfield, Mo.	\$3,786,000	15%	\$3,865,000	98%	97	14%
25	FreshDirect	Long Island City, N.Y.	\$682,000	15%	\$682,000	100%	N.A.	N.A.

KANTAR RETAIL

N.A. Not available or not applicable

Notes on methodology:

USA = 50 States and District of Columbia. Sales in Puerto Rico, the U.S. Virgin Islands and Guam have been estimated and removed if reported as part of the U.S. business segment for that company.

All retail sales estimates exclude wholesale and non-retail services (not sold at stores) but include online retail sales.

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All figures are estimates based on Kantar Retail research and company reports.



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 from,” Blue Apron said in its initial public offering in June.

Blue Apron faces competition in meal kits from traditional supermarkets as well as rival online subscription services such as HelloFresh, Purple Carrot and Sun Basket.

Analysts also suggest that the market for subscription-fee meal kits is close to saturation: Nearly three-quarters of new subscribers cancel their subscriptions within the first year, finds Cardlytics, a payment card analytics firm that tracked 45,000 people who first bought meal kit subscriptions in January 2016; 23 percent of subscribers give up after a month and 52 percent quit within six months.

Wayfair holds the runner-up spot on the Hot 100 chart, another ecommerce business that has been publicly held for nearly three years. The

company has maintained a torrid growth pace as it expands its online catalog to include even greater price and quality ranges.

On the No. 4 rung is Chewy.com, a company in its sixth year of operation after being founded in the suburbs of Fort Lauderdale by Ryan Cohen and Michael Day.

“I always wanted to do something with pets, but I couldn’t figure out how to monetize it,” says Cohen, who serves as the company’s chief executive. After going to the pet store he realized the online market was “really under-penetrated,” he says.

Plus, “I understand the customer because it’s myself, so we built the company.”

Build they did, ringing up \$26 million in sales in the first year, which grew to \$900 million last year. Projections for this year were for sales

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HARD GOODS

Home improvement retailers are making good use of omnichannel strategies, helping to propel The Home Depot and Lowe’s to the top of the list of hard goods retailers reaping the largest market share gains last year.

The rebound in house prices and construction hasn’t hurt, either. “We’re finally at the stage of housing recovery where homeowners are taking on larger projects,” says Brad Hunter, chief economist at HomeAdvisor. “Home improvement is the shining star within retail.”

HomeAdvisor, a web service connecting homeowners with contractors and handymen, reports that homeowners spent an average of \$5,157 on home projects last year, up from \$3,288 in 2015.

Both The Home Depot and Lowe’s are capitalizing on the click-and-collect model where customers order online and pick up the merchandise at the store. The Home Depot says more than 45 percent of its online orders are picked up, while Lowe’s says 60 percent.

“Because we’ve seen such a huge uptick in the amount of orders that are flowing through the stores, it’s a constant evolution of how associates pick them and where we store them,” says Stephanie Smith, The Home Depot’s vice president of direct fulfillment and delivery.

The company has increased the number of stores available for online orders and equipped sales personnel with its smartphone app. “We wanted all of our store associates to have ... all the information that our customers have,” Smith says.

“The number one and two reasons people come to our site are to check price and see availability for a local location,” says Gihad Jawhar, vice president of digital for Lowe’s. “If you look at our iOS app, we’ll show you not only the particular store but the closest three to five. If you’ve ever shopped another store, it will show you that store as well.”

Digital tools are used throughout the store, says Eric Hanson, Lowe’s director of digital experience, product management and omnichannel integration. “We have six different apps that our store associates use,” he says. “If a customer comes in with dimensions, we can run quick calculations and show how much product they need.”

One area where the home improvement rivals diverge is financial performance. The Home Depot exceeded Wall Street expectations early this year, including a 5.5 percent jump in same-store sales, while Lowe’s disappointed with earnings that were lower than the previous year and same-store sales edging up just 1.9 percent, even though sales rose 10.7 percent.

Company	2015 sales (000)	2016 sales (000)	2015 market share	2016 market share	Gain in basis points
The Home Depot	\$79,312,000	\$85,086,000	13.6%	14.1%	45
Lowe’s Companies	\$57,529,000	\$60,409,000	9.9%	10.0%	11
Dick’s Sporting Goods	\$7,271,000	\$7,922,000	1.3%	1.3%	6
Bass Pro Shops	\$3,291,000	\$3,786,000	0.6%	0.6%	6
O’Reilly Auto Parts	\$7,967,000	\$8,593,000	1.4%	1.4%	5
Tractor Supply Co.	\$6,227,000	\$6,780,000	1.1%	1.1%	5
Sherwin-Williams	\$7,014,000	\$7,580,000	1.2%	1.3%	5

Source: Kantar Retail



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26	Kwik Trip	La Crosse, Wis.	\$1,436,000	15%	\$1,436,000	100%	545	14%
27	Academy Sports + Outdoors	Katy, Texas	\$5,133,000	14%	\$5,133,000	100%	227	9%
28	Murphy USA	El Dorado, Ark.	\$406,000	14%	\$406,000	100%	249	11%
29	CVS Caremark	Woonsocket, R.I.	\$81,482,000	13%	\$82,800,000	98%	9,769	1%
30	Sprouts Farmers Market	Phoenix	\$4,046,000	13%	\$4,046,000	100%	253	17%
31	Lee's Discount Liquor	Henderson, Nev.	\$405,000	12%	\$405,000	100%	19	12%
32	BevMo	Concord, Calif.	\$1,212,000	12%	\$1,212,000	100%	164	2%
33	Smart & Final	Commerce, Calif.	\$3,401,000	12%	\$3,483,000	98%	246	11%
34	Rural King Supply	Mattoon, Ill.	\$937,000	12%	\$937,000	100%	96	13%
35	Guitar Center	Westlake Village, Calif.	\$3,229,000	12%	\$3,229,000	100%	478	15%
36	Boot Barn Holdings	Irvine, Calif.	\$628,000	11%	\$628,000	100%	240	4%
37	Francesca's	Houston	\$486,000	11%	\$486,000	100%	671	9%
38	Lululemon Athletica	Vancouver, Canada	\$1,608,000	11%	\$2,162,000	74%	287	10%
39	Skechers USA	Manhattan Beach, Calif.	\$687,000	10%	\$972,000	71%	413	6%
40	Aldi	Batavia, Ill.	\$23,491,000	10%	\$104,077,000	23%	2,084	7%
41	Michael Kors Holdings Ltd.	London, United Kingdom	\$1,919,000	10%	\$2,766,000	69%	349	-13%
42	Burlington Coat Factory	Burlington, N.J.	\$5,497,000	9%	\$5,552,000	99%	583	5%
43	Dick's Sporting Goods	Coraopolis, Pa.	\$7,922,000	9%	\$7,922,000	100%	794	7%
44	Tractor Supply Co.	Brentwood, Tenn.	\$6,780,000	9%	\$6,780,000	100%	1,738	17%
45	Oxford Industries	Atlanta	\$636,000	9%	\$709,000	90%	183	5%
46	Overstock.com	Salt Lake City	\$1,800,000	9%	\$1,800,000	100%	N.A.	N.A.
47	Dollar General	Goodlettsville, Tenn.	\$21,987,000	9%	\$21,987,000	100%	13,322	7%
48	Nebraska Furniture Mart	Omaha, Neb.	\$1,514,000	8%	\$1,514,000	100%	4	0%
49	Grocery Outlet	Berkeley, Calif.	\$1,911,000	8%	\$1,911,000	100%	255	6%
50	Sherwin-Williams	Cleveland	\$7,580,000	8%	\$8,122,000	93%	3,889	2%

KANTAR RETAIL

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SOFT GOODS

Off-price retailing has been called “Amazon-proof” by some industry watchers, though the sobriquet was temporarily tarnished this spring when TJX reported first quarter sales that were below expectations and then noted the second quarter might not be a whole lot better.

The doom and gloom has been overplayed, suggests Neil Saunders, managing director at GlobalData Retail. “While neither Marshalls nor TJMaxx has fallen out of favor with consumers, the amount of discounting and markdown activity across the apparel sector resulted in the customers of both chains shopping more widely than usual,” Saunders says.

“You need to think about how to make your business as un-Amazonable as possible,” advises Oliver Chen, an analyst with Cowen & Co.

“One of the advantages the off-price retailers have is the poor performance of the main department store brands,” says Steve Montgomery, president of b2b Solutions. “As the majors falter, the off-price retailers continue to gain access to more and more inventory. The danger comes when either the major department store brands learn how to better manage inventory or get out of the business completely.”

Amazon occasionally makes noise about getting more serious about the category and is said to be exploring custom-fit apparel. The company’s apparel sales last year are estimated at \$22 billion by Cowen & Co., including clothing sold directly to consumers plus its cut on apparel sold by third parties through Amazon Marketplace.

Cowen estimates that Amazon now accounts for about 6.6 percent of the retail apparel market and forecasts it will climb to around 16 percent by 2021. Off-price retailers currently control about 19 percent of the apparel market, estimates research firm Morningstar, up from 15 percent five years ago.

“The category is taking massive amounts of share,” says Bridget Weishaar, senior consumer discretionary equity manager for Morningstar. “It is a trend that we don’t see turning around in the near future.”

Company	2015 sales (000)	2016 sales (000)	2015 market share	2016 market share	Gain in basis points
Ascena Retail Group	\$4,721,000	\$7,091,000	1.6%	2.3%	74
TJX Companies	\$23,557,000	\$25,367,000	7.8%	8.2%	43
Ross Stores	\$11,930,000	\$12,864,000	4.0%	4.2%	22
Academy Sports + Outdoors	\$4,513,000	\$5,133,000	1.5%	1.7%	17
Under Armour	\$3,300,000	\$3,800,000	1.1%	1.2%	14
Burlington Coat Factory	\$5,036,000	\$5,497,000	1.7%	1.8%	12
Foot Locker	\$5,573,000	\$5,852,000	1.8%	1.9%	5
Michael Kors Holdings Ltd.	\$1,752,000	\$1,919,000	0.6%	0.6%	4
Burberry	\$623,000	\$766,000	0.2%	0.2%	4
Lululemon Athletica	\$1,453,000	\$1,608,000	0.5%	0.5%	4
Forever 21	\$2,387,000	\$2,553,000	0.8%	0.8%	4
Torrid	\$410,000	\$502,000	0.1%	0.2%	3

Source: Kantar Retail



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to more than double; only a couple of months into the current fiscal year, though, Chewy.com received a buyout offer from established pet supply retailer PetSmart. The purchase price was estimated at \$3.35 billion, reportedly the highest price ever paid for an online startup retailer.

Rounding out the top five is Build.com,

the U.S.-based ecommerce retailer owned by European plumbing supply dealer Wolsley, which is renaming itself Ferguson this year as it focuses more on North American markets.

Build.com was founded in 2000 in Chico, Calif., by university classmates Christian Friedland and David Bocter. Today the company, which owns the brands FaucetDirect.com, Handlesets.com, LightingDirect.com and Venting.com, has expanded to include lighting, hardware, appliances, fans, chandeliers and other home improvement merchandise.

NICHE MARKETING

Most of the Hot 100 Retailers have carved out a niche for themselves and grow their businesses by exploiting the opportunities within that niche. Is there a danger that the specialty can be too narrowly defined and burgeoning

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Rank	Company	Headquarters/ U.S. headquarters	2016 retail sales (000)	USA sales growth ('16 v '15)	Worldwide retail sales (000)	USA % of worldwide sales	2016 stores	Growth ('16 v '15)
51	O'Reilly Auto Parts	Springfield, Mo.	\$8,593,000	8%	\$8,593,000	100%	4,829	6%
52	Ross Stores	Pleasanton, Calif.	\$12,864,000	8%	\$12,874,000	100%	1,532	6%
53	TJX Companies	Framingham, Mass.	\$25,367,000	8%	\$33,270,000	76%	2,777	4%
54	Lucky Brand	Los Angeles	\$818,000	8%	\$818,000	100%	240	-2%
55	Casey's General Stores	Ankeny, Iowa	\$3,068,000	7%	\$3,068,000	100%	1,988	3%
56	Hobby Lobby Stores	Oklahoma City	\$3,065,000	7%	\$3,065,000	100%	776	7%
57	K-VA-T Food Stores	Abingdon, Va.	\$2,285,000	7%	\$2,285,000	100%	141	5%
58	The Home Depot	Atlanta	\$85,086,000	7%	\$94,774,000	90%	1,965	0%
59	Forever 21	Los Angeles	\$2,553,000	7%	\$3,596,000	71%	520	2%
60	Ikea North America Services	Conshohocken, Pa.	\$6,789,000	7%	\$48,197,000	14%	43	8%
61	CEFCO Convenience Stores	Temple, Texas	\$413,000	6%	\$413,000	100%	227	0%
62	Cosentino's Food Stores	Kansas City, Mo.	\$686,000	6%	\$686,000	100%	28	0%
63	ABC Fine Wine & Spirits	Orlando, Fla.	\$505,000	6%	\$505,000	100%	140	0%
64	Spec's Wine, Spirits & Finer Foods	Houston	\$1,275,000	6%	\$1,275,000	100%	165	3%
65	Sheetz	Altoona, Pa.	\$819,000	6%	\$819,000	100%	545	5%
66	The Kroger Co.	Cincinnati	\$110,215,000	6%	\$110,215,000	100%	3,825	2%
67	Sephora (LVMH)	San Francisco	\$1,797,000	6%	\$5,645,000	32%	344	4%
68	ampm (BP West Coast Products)	La Palma, Calif.	\$2,624,000	6%	\$14,341,000	18%	982	1%
69	Demoulas Super Markets	Tewksbury, Mass.	\$3,725,000	6%	\$3,725,000	100%	78	4%
70	Kirkland's	Brentwood, Tenn.	\$593,000	6%	\$593,000	100%	404	7%
71	Balls Food Stores	Kansas City, Kan.	\$848,000	6%	\$848,000	100%	28	0%
72	National Stores (Fallas Paredes)	Gardena, Calif.	\$1,085,000	6%	\$1,085,000	100%	357	2%
74	The Talbots	Hingham, Mass.	\$1,280,000	6%	\$1,301,000	98%	531	4%
74	Bluestem Brands (Capmark Capital)	Eden Prairie, Minn.	\$1,814,000	5%	\$1,814,000	100%	N.A.	N.A.
75	1-800-Flowers.com	Carle Place, N.Y.	\$1,146,000	5%	\$1,146,000	100%	323	2%

KANTAR RETAIL

N.A. Not available or not applicable

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All figures are estimates based on Kantar Retail research and company reports.

ECOMMERCE

The world of ecommerce these days requires identifying a niche, exploiting it as rapidly as possible and then putting the company on the selling block so some bricks-and-mortar retailer can buy its way online. Amazon.com, transferred to the food-drug-mass merchant category where its major competitors reside, has sucked a lot of air out of general merchandise sales online — accounting for about 43 percent of all web sales, according to Slice Intelligence.

Two of the four hot ecommerce businesses have already been spoken for by bricks-and-mortar operators. Build.com, founded in 2000, was acquired in 2007 by Wolseley, a building materials company based in Switzerland that changed its name to Ferguson; Chewy.com, launched six years ago, was acquired by PetSmart in April.

Group leader Wayfair continues to blaze a trail of technical innovations as it expands more deeply and broadly into home goods merchandise. Technology initiatives including expanding its three-dimensional product library to enhance virtual reality and augmented reality experiences for shoppers, particularly as more smartphones incorporate 3D sensing technology.

This spring Wayfair launched a new website, Perigold, designed for upscale customers. “Perigold essentially picks up where our current offerings end and then runs all the way through the luxury segment,” says co-founder Niraj Shah.

“We know some affluent customers occasionally shop at Wayfair for their second home, their son or daughter’s college dorm room or their child’s playroom. But they wouldn’t necessarily think about coming to Wayfair for their master bedroom, living room or dining room.”

Company	2015 sales (000)	2016 sales (000)	2015 market share	2016 market share	Gain in basis points
Wayfair	\$1,945,000	\$2,993,000	0.4%	0.5%	13
Blue Apron	\$341,000	\$795,000	0.1%	0.1%	7
Chewy.com	\$610,000	\$900,000	0.1%	0.2%	4
Build.com / Wolseley	\$660,000	\$911,000	0.1%	0.2%	3

Source: Kantar Retail



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businesses could find themselves hemmed in by the competition?

“They could niche themselves into a corner,” says Kantar Retail’s Nicholas. “We are a way down the road before they niche themselves into oblivion.”

A bigger problem is that retailers are losing shoppers. “There has been an immense consolidation in [shopper] trips, so shoppers are shopping loyally,” he says. “They’re making fewer trips but are buying more” at the retailers they favor.

One niche area that is very well represented on the Hot 100 Retailers chart is groceries,

which represent a fifth of all Hot 100 Retailers. Supermarkets include traditional operators such as Kroger (the largest supermarket chain in the country), as well as large-volume grocers Hy-Vee, DeMoulas Super Market, Golub’s Price Chopper and K-VA-T Food Stores.

Niche supermarkets are not necessarily small operations, as witnessed by the continued growth of Wegmans up and down the East Coast, limited-assortment Aldi all over the country, natural foods Sprouts Farmers Market in the west and Grocery Outlet, primarily west of the Mississippi River.

Five chains on the Hot 100 Retailers chart are in the business of selling wine and spirits. Leading the pack is Total Wine & More, which opened 20 stores last year. The privately held company, which fashions itself as “America’s wine superstore,” generates approximately half its sales through a winery-direct program that involves small- and medium-sized wineries around the world without U.S. distribution.

“The barrier to entry for these wineries is that two or three wholesalers dominate in every single state,” says founder David Trone, who not too long ago stepped down as chief executive in favor of Kevin Peters.

The U.S. alcoholic beverage market is estimated at \$211.6 billion, almost equally split between

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2017 HOT 100 Retailers



Rank	Company	Headquarters/ U.S. headquarters	2016 retail sales (000)	USA sales growth ('16 v '15)	Worldwide retail sales (000)	USA % of worldwide sales	2016 stores	Growth ('16 v '15)
76	Hot Topic	Industry, Calif.	\$727,000	5%	\$749,000	97%	672	1%
77	Wegmans Food Market	Rochester, N.Y.	\$8,299,000	5%	\$8,299,000	100%	92	3%
78	Lowe's Companies	Mooresville, N.C.	\$60,409,000	5%	\$66,556,000	91%	1,831	1%
79	Foot Locker	New York	\$5,852,000	5%	\$8,044,000	73%	2,288	-1%
80	Rue La La	Boston	\$498,000	5%	\$498,000	100%	N.A.	N.A.
81	Wawa	Media, Pa.	\$1,294,000	5%	\$1,294,000	100%	730	3%
82	Ace Hardware	Oak Brook, Ill.	\$15,833,000	5%	\$16,774,000	94%	4,363	1%
83	Tuesday Morning	Dallas	\$1,002,000	5%	\$1,002,000	100%	732	-3%
84	Brookshire Brothers	Lufkin, Texas	\$1,519,000	5%	\$1,519,000	100%	115	1%
85	7-Eleven	Dallas	\$14,323,000	5%	\$96,836,000	15%	8,256	2%
86	Ethan Allen	Danbury, Conn.	\$836,000	5%	\$836,000	100%	192	3%
87	QuickTrip Corp.	Tulsa, Okla.	\$1,411,000	4%	\$1,411,000	100%	739	2%
88	AutoZone	Memphis, Tenn.	\$8,859,000	4%	\$10,261,000	86%	5,231	3%
89	Hy-Vee	West Des Moines, Iowa	\$9,239,000	4%	\$9,239,000	100%	242	0%
90	Menards	Eau Claire, Wis.	\$10,659,000	4%	\$10,659,000	100%	305	4%
91	Modell's Sporting Goods	New York	\$824,000	4%	\$824,000	100%	159	3%
92	Foodland Super Market Ltd. (Hawaii)	Honolulu	\$581,000	4%	\$581,000	100%	36	9%
94	Trans World Entertainment	Albany, N.Y.	\$349,000	4%	\$349,000	100%	290	-6%
94	Discount Drug Mart	Medina, Ohio	\$669,000	4%	\$669,000	100%	74	1%
95	Empresas Copec Chile (formerly Delek)	Santiago, Chile	\$436,000	4%	\$436,000	100%	348	-3%
96	Leslie's Poolmart	Phoenix	\$756,000	4%	\$766,000	99%	896	2%
97	Clark Crown Brands	Lisle, Ill.	\$1,281,000	4%	\$1,281,000	100%	1,171	1%
98	Golub Corp. / Price Chopper Supermarkets	Schenectady, N.Y.	\$3,813,000	4%	\$3,813,000	100%	136	0%
99	Jo-Ann Stores	Hudson, Ohio	\$2,630,000	4%	\$2,630,000	100%	859	1%
100	Amway	Ada, Mich.	\$1,498,000	4%	\$1,607,000	93%	N.A.	N.A.

KANTAR RETAIL

N.A. Not available or not applicable

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malt beverages and wine/spirits, according to importer Park Street. Wine accounts for about 15 percent of the alcoholic beverage market; more than 70 percent is produced in the U.S.

If grocery merchandise has been slow to move online, alcoholic beverages have been veritable snails when it comes to ecommerce. This is primarily a result of rules and regulations dating to the repeal of Prohibition 85 years ago.

Slow progress online has made it easier for wine and liquor stores to proliferate and land spots among the Hot 100 Retailers. Lee's Discount Liquors was founded 40 years ago by Korean immigrant Hae Un Lee, BevMo! started in northern California in 1994 as Beverages & More and ABC Fine Wine & Spirits was launched by Jack Holloway in 1936 when he added alcoholic beverages to his cigar store. Spec's Wines, Spirits & Finer Foods in Houston, owned and operated by the founding Jackson family, includes delicatessen departments in its stores.

Convenience stores comprise another significant segment of the Hot 100 Retailers, boosted by



improved food offerings and the prolonged period of low gasoline prices that has kept Americans in their cars and on the road. 7-Eleven, which earlier this year purchased 1,000 gas stations and c-stores from Sunoco, recently introduced two sandwiches priced under \$2.

“We can drop a product [in stores] overnight, and all of a sudden, we’re in a brand-new

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FOOD / DRUG / MASS

Groceries are hot, as evidenced by the presence of seven food retailers among the food-drug-mass merchants who increased market share last year. Amazon.com and Dollar General represent the general merchandise sector, though each has been ramping up food offerings in recent years. Amazon emphasized its intentions in June with the \$13.7 billion offer for Whole Foods Market.

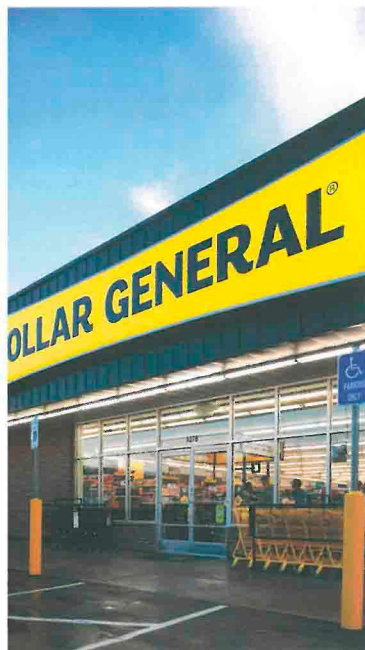
CVS is primarily a drugstore chain with a large convenience store’s worth of food in each location; even Total Wine & More’s merchandise offerings overlap those of many supermarkets.

Kroger is the standard bearer for traditional supermarkets and is doing a little bit of everything. The company acquired a former Macy’s department store location in Ohio with the intention of testing how well one of its supermarkets would do in a mall environment, and has jumped on the meal kit bandwagon with a pilot program at four stores in its home market of Cincinnati.

Dubbed Prep + Pared, the meals for two adults can be made in 20 minutes or less at a cost of \$14 to \$18 without the need of a subscription. “Kroger continuously looks for ways to make our customers’ lives easier,” says Vanessa Egle, senior director of culinary strategy and development for Kroger. “They have told us they want fresh, convenient and affordable meal solutions.”

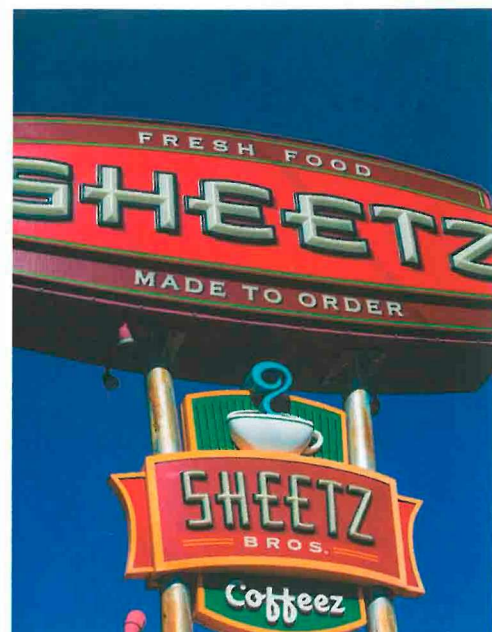
There is only so much Kroger can do, however, to stem the tide of events pushing food prices down. These include lower producer costs; product surpluses; price wars fostered by Amazon’s expanding presence in supermarket merchandise and Walmart’s response to that; the proliferation of low-cost Aldi stores all around the country; and the impending invasion of Lidl, another low-cost operator from Germany.

“There certainly doesn’t seem to be one thing causing prices to decline,” says Steve Reed, an economist with the Bureau of Labor Statistics’ Consumer Price Index program. “There are several factors at work.”



Company	2015 sales (000)	2016 sales (000)	2015 market share	2016 market share	Gain in basis points
Amazon.com	\$61,841,000	\$77,024,000	9.1%	10.9%	181
CVS Caremark	\$72,139,000	\$81,482,000	10.6%	11.5%	93
The Kroger Co.	\$103,905,000	\$110,215,000	15.3%	15.6%	33
Aldi	\$21,432,000	\$23,491,000	3.1%	3.3%	17
Dollar General	\$20,258,000	\$21,987,000	3.0%	3.1%	13
Sprouts Farmers Market	\$3,593,000	\$4,046,000	0.5%	0.6%	4
Grupo Comercial Chedraui	\$1,199,000	\$1,528,000	0.2%	0.2%	4
Total Wine & More	\$2,000,000	\$2,325,000	0.3%	0.3%	4
Smart & Final	\$3,037,000	\$3,401,000	0.4%	0.5%	3
Fiesta Mart	\$1,527,000	\$1,819,000	0.2%	0.3%	3
Big Y	\$1,666,000	\$1,926,000	0.2%	0.3%	3

Source: Kantar Retail



FUTURE PLANS

The economic environment has improved recently — consumers are expressing confidence in the buying climate at the highest rate in 15 years, according to the Bloomberg Consumer Comfort Index. In addition, Bloomberg reports that American shoppers are as optimistic about their personal finances today as they have been at any time in the last decade.

Though there are “eye-catching headlines about store closings,” says Robert Sockin, economist at UBS Securities, “we don’t see much of an effect on retail employment and therefore on consumer spending.”

Growth plans announced by such Hot 100 retailers as Ulta Beauty, The Home Depot and Nebraska Furniture Mart should keep them on the path for a return performance next year.

As for the rest of the retail world, Kantar’s Nicholas sees mall-based retailers facing possible struggles. He refers to the enclosed shopping mall as “a period piece” dating to the middle of the 20th century.

The current challenge is for big-box operators to ask themselves, “How am I going to better use the space I’ve got?” he says. “Big boxes will become more of a mall-in-the-box, a place with multiple stores within a store.”

Nicholas sees space set aside for in-store restaurants, classrooms for educating about merchandise or product safety or nutrition. “The [locations] will be a node in the retail ecosystem, not so much experience as functionality.” **STORES**

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 business,” says Nancy Smith, 7-Eleven’s senior vice president for food and beverage.
 Prepared food accounts for about 22 percent of the typical c-store’s non-fuel sales, according to the National Association of Convenience Stores.
 Convenience stores also have an expanding role in ecommerce, serving as pickup points for merchandise shipped by online retailers.
 “The convenience sector is one of the few where bricks-and-mortar holds a structural advantage over online, so the sector remains well-positioned for the future,” says Martin Mehalchin, a partner at the sales and marketing consultancy Lenati.

David P. Schulz has been writing for STORES since 1982 and is the author of several non-fiction books.