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PRI MONTHLY RETAIL ANALYTICS

"BRINGING RESEARCH TO RETAIL"

Weak job growth and high oil prices indicate a continuing moderation of the economy to a more sustainable level. Second quarter GDP grew at 2.8% versus 4.5% for the first quarter. The Index of Leading Economic Indicators fell -0.3% in July, following a decrease of -0.1% in June. Industrial Production rose 0.4% in July, following a -0.5% drop in June. Durable Goods Orders for July rose 1.7%. U.S. Producer Prices increased 0.1% in July; Consumer Prices fell -0.1% in July. While the fastest growth of the recovery may be behind us, the economy is still on solid footing. Relatively strong capital spending by business is expected to take up some of the slack of lower spending by consumers. Capital spending for the quarter grew at a 13.6% rate. Healthy net incomes/cash flows by corporations can continue to support capital spending.

Retail sales in July, excluding autos, rose a modest 0.2%. Retail sales, excluding autos, on an annualized rate, are up 5.3% for the trailing 3-months and 7.8% for the trailing 12 months. Furniture sales advanced 1.1% in July, following a 2.6% rise in June, general merchandise sales rose 1.0% vs. a -0.2% decrease in June, and sales of gasoline (-0.5%), apparel (-0.1%) and building materials (-1.1%) fell in July. Consumer spending is being impacted by high gasoline prices. Higher oil prices reduce consumer expenditures on non-energy goods and services, and this will worsen during the winter. This drag on consumer spending will impact retail spending and discount retailers, in particular, whose customers are impacted by lower discretionary income growth. Household debt also remains high, and in view of the Fed's bias toward rising interest rates, consumer spending may also be impacted.

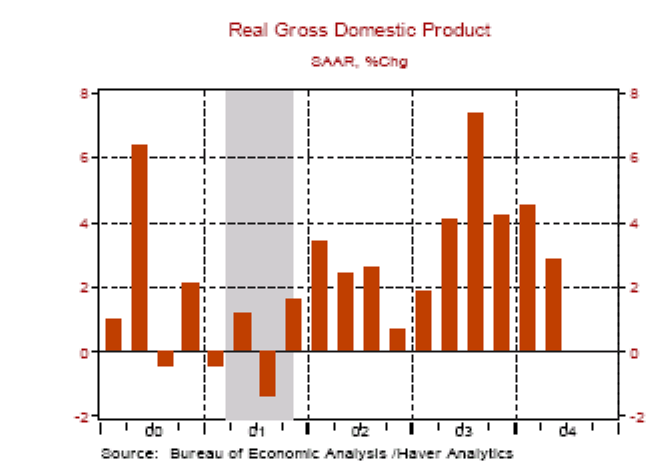
In this issue, our research note examines the relationship between product-involvement and brand commitment to demonstrate their influence upon product choice, product evaluation and the impact of brand information upon consumer selection.

STEVEN KEITH PLATT
DIRECTOR

I. ECONOMIC OVERVIEW

MACRO ECONOMIC INDICATORS-BUSINESS:

(% change)	2000	2001	2002	2003	2004- 1st Qtr.	2004- 2nd Qtr.	2004- 3rd Qtr.	2004- 4th Qtr.
Real GDP	3.7%	0.5%	2.2%	3.1%	4.5%	2.8%	%	%
Capital Spending (equipment)	7.8%	-4.9%	-5.5%	6.4%	8.0%	13.6%	%	%
Capital Spending (structures)	----	-2.3%	-17.8%	-5.6%	-7.6%	7.1%	%	%
Corporate Profits	----	-6.2%	14.0%	16.8%	3.2%	-1.3%	%	%
Business Productivity	3.6%	1.8%	5.1%	5.7%	3.7%	2.9%	%	%



(% change)	JN-04	FB-04	MR-04	AP-04	MY-04	JN-04	JL-04	AG-04	SP-04	OT-04	NV-04	DC-04
Durable Goods Orders	-2.6	3.9	5.9	-2.7	-0.9	1.1	1.7					
Durable Goods Shipments	-1.0	1.4	4.4	-0.8	-0.6	1.1	0.1					
Leading Index	0.4	0.0	0.8	0.1	0.4	-0.1	-0.3					
ISM Manuf. Survey (absolute)	63.6	61.4	62.5	62.4	62.8	61.1	62.0					
Industrial Capacity Utilization	76.2	76.7	76.6	77.0	77.4	76.9	77.1					
Industrial Production	0.7	0.8	0.0	0.7	0.9	-0.5	0.4					

MACRO ECONOMIC INDICATORS-CONSUMER:

(% change)	JN-04	FB-04	MR-04	AP-04	MY-04	JN-04	JL-04	AG-04	SP-04	OT-04	NV-04	DC-04
Personal Consumption	0.5	0.4	0.4	0.1	1.0	-0.7						
Change in Payroll Employ. (000)	159	83	353	324	208	78	32					
Unemploy. Rate	5.6	5.6	5.7	5.6	5.6	5.6	5.5					
Personal Income	0.5	0.5	0.5	0.6	0.6	0.2						
Consumer Price Index (all items)	0.5	0.3	0.5	0.2	0.6	0.3	-0.1					

MACRO ECONOMIC INDICATORS- RETAIL:

Large Retail Corporations	2002-4th Qtr	2003-1st Qtr.	2003-2nd Qtr.	2003-3rd Qtr.	2003-4th Qtr.	2004-1st Qtr.	2004-2nd Qtr.	2004-3rd Qtr.	2004-4th Qtr.
Operating Ratio	5.6%	4.3%	4.6%	4.4%	5.5%	5.1%	%	%	%
After-Tax Profit Ratio	2.5%	3.2%	2.7%	2.6%	3.5%	2.6%	%	%	%
Return on Equity (after taxes)	14.6%	13.4%	16.31%	13.3%	19.78%	13.73%	%	%	%

($ millions)	1999	2000	2001	2002	2003	2004
Total Retail Sales (x auto)	$2,385,029	$2,559,985	$2,634,858	$2,717,331	$2,860,985	$
Retail Sales (% change; x auto) vs. last year	7.53%	7.34%	2.93%	3.13%	5.29%	%
Total Retail Gross Margin (x auto)	31%	30.7%	30.3%	30.8%	%	%

(% change)	JN-04	FB-04	MR-04	AP-04	MY-04	JN-04	JL-04	AG-04	SP-04	OT-04	NV-04	DC-04
Retail Sales (% change; x auto) vs. last month	1.5	0.6	1.8	-0.2	0.9	0.3	0.2					

MACRO ECONOMIC INDICATORS- RETAIL IN-STORE DEVELOPMENT:

(% change)	JN-04	FB-04	MR-04	AP-04	MY-04	JN-04	JL-04	AG-04	SP-04	OT-04	NV-04	DC-04
New Buildings Put In Place-Multi-Retail	-0.2	4.1	1.3	2.7								
New Buildings Put In Place-Drug, Building Supply, Other Stores	-1.0	0.4	1.6	14.0								
New Buildings Put In Place-Food and Beverage	-11.7	-5.3	-2.1	4.7								

(% change)	2003-1st Qtr.	2003-2nd Qtr.	2003-3rd Qtr.	2003-4th Qtr.	2004-1st Qtr.	2004-2nd Qtr.	2004-3rd Qtr.	2004-4th Qtr.
Capital Spending-Equipment	4.5	11.0	21.7	12.0	8.0	13.6		
Capital Spending-Structures	-13.0	14.5	-1.3.	7.9	-7.6	7.1		

II. MAJOR RETAIL SECTOR TRENDS:

BUILDING MATERIALS, GARDEN AND SUPPLY STORES

Building Materials, Garden and Supply Stores

Sales fell -1.1% in July. On an annualized rate, revenue is down –6.6% for the trailing 3-months and is up 10.9% for the trailing 12 months.

Monthly % Change	JN-04	FB-04	MR-04	AP-04	MY-04	JN-04	JL-04	AG-04	SP-04	OT-04	NV-04	DC-04
Sales	0.6	0.4	9.8	-0.5	-1.2	0.5	-1.1					

FOOD AND BEVERAGE STORES

Food and Beverage Retailers

Sales were flat in July. On an annualized rate, revenue is up 3.6% for the trailing 3-months and up 3.2% for the trailing 12 months.

Monthly % Change	JN-04	FB-04	MR-04	AP-04	MY-04	JN-04	JL-04	AG-04	SP-04	OT-04	NV-04	DC-04
Sales	1.7	-0.5	0.9	0.0	0.8	0.1	0.0					

HEALTH AND PERSONAL CARE (DRUG) STORES

Sales fell -0.3 % in July. On an annualized rate, revenue is up 2.9% for the trailing 3-months and up 4.6% for the trailing 12 months.

Monthly % Change	JN-04	FB-04	MR-04	AP-04	MY-04	JN-04	JL-04	AG-04	SP-04	OT-04	NV-04	DC-04
Sales	0.6	-0.5	2.1	-0.4	0.2	0.8	-0.3					

	JULY COMP. STORE SALES
Walgreen	8.2%
CVS	4.1%

CLOTHING AND ACCESSORY (APPAREL) STORES

Sales fell –0.1% in July. On an annualized rate, revenue is up 1.9% for the trailing 3-months and up 3.9% for the trailing 12 months.

Monthly % Change	JN-04	FB-04	MR-04	AP-04	MY-04	JN-04	JL-04	AG-04	SP-04	OT-04	NV-04	DC-04
Sales	-	-	-	-	1.1	-0.5	-0.1					

	JULY 2004 COMP. STORE SALES
Chico's	13.7%
Gap	-5.0%
Limited Brands	n/c

GENERAL MERCHANDISE STORES

Sales rose 1.0% in July. On an annualized rate, revenue is up 7.6% for the trailing 3-months and is 6.4% for the trailing 12 months.

Monthly % Change	JN-04	FB-04	MR-04	AP-04	MY-04	JN-04	JL-04	AG-04	SP-04	OT-04	NV-04	DC-04
Sales	1.0	1.4	0.7	-0.8	1.0	-0.2	1.0					

	JULY 2004 COMP. STORE SALES
Costco	9.0%
Dollar Gen.	3.6%
Target Stores	3.8%
Wal-Mart (consolidated)	3.2%

DEPARTMENT STORES

Sales fell –0.2% in July. On an annualized rate, revenue is up 0.5% for the trailing 3-months and down –1.7% for the trailing 12 months.

Monthly % Change	JN-04	FB-04	MR-04	AP-04	MY-04	JN-04	JL-04	AG-04	SP-04	OT-04	NV-04	DC-04
Sales					0.6	-0.7	0.2					

	JULY 2004 COMP. STORE SALES
Federated	3.7%
Sears	-2.6%
JC Penney	8.1%
Dillard's	-4.0%

III. RESEARCH NOTE

"An Empirical Investigation of the Relationship between Product Involvement and Brand Commitment"
Psychology & Marketing, Volume 17, 2000

By Patti Warrington, Purdue University and Soyeon Shim, the University of Arizona

In this paper, the researchers analyze the relationship between product-involvement and brand commitment to demonstrate their influence upon product choice, product evaluation and the impact of brand information upon consumer choice. The study's findings may assist retailers in their efforts to build market share for private label products by isolating various customer segments for marketing purposes, and may also influence merchandise adjacencies, the private-label/branded product mix and related promotion.

The findings are summarized as follows:

Consumers with a high-degree of product involvement and strong brand commitment (involved brand loyalists) are less concerned about product attributes, are influenced by the sources of brand information and are less price sensitive than other consumers. Consumers with a high-degree of product involvement and weak brand commitment (involved information seekers) are more concerned about product attributes, are influenced by sources of product information and are less price sensitive than other consumers.

Consumers with a low-degree of product involvement and strong brand commitment (routine brand buyers) are more concerned about product attributes, are less influenced by sources of product information and are less price sensitive than other consumers. Consumers with a low-degree of product involvement and weak brand commitment (uninvolved brand switchers) are less concerned with product attributes, are more price sensitive and are influenced by the source of product information.