



-Week Ending 2/5/10-

Below is the list of articles you will find for the week ending 2/5/10 edition of Retail Industry News.

- ▶ **Walmart Arms Itself For Realigned Global Sourcing Strategy**
- ▶ **Retailers Look To Efficiency & Effectiveness In 2010**
- ▶ **Tops Completes Acquisition Of Penn Traffic Assets**
- ▶ **Sansolo Speaks: "Happy Holiday"**
- ▶ **Meijer Looks For The Niche**
- ▶ **For Supervalu, Jewel Is Old News And Save-A-Lot Is Chicago's Future**
- ▶ **FastNewsBeat**
- ▶ **The MNB Wal-Mart Watch**
- ▶ **The Balance Sheet**
- ▶ **Executive Suite**



**Thanks to MNB
for this selection of
articles.**

Walmart Arms Itself For Realigned Global Sourcing Strategy

Walmart yesterday announced a series of initiatives that the company's vice chairman, Eduardo Castro-Wright, said would be "important elements in the company's strategy to deliver even greater value to its customers and shareholders."

The goal, according to the announcement, is to "position the company to leverage its global scale to reduce costs of goods, accelerate speed to market, and improve the quality of products."

"Walmart's new global sourcing strategy involves the creation of Global Merchandising Centers, a change in leadership and structure, and a strategic alliance with Li & Fung, a global sourcing organization."

The consolidated global sourcing structure centered around new Global Merchandising Centers (GMCs) was first announced at the company's annual meeting last October, and Castro-Wright said they "represent the largest and most important element of our new sourcing strategy. These centers will create alignment between sourcing and merchandising and drive efficiencies across various merchandise categories." The company said that the core of the company's overall global sourcing strategy will be to continue increasing direct sourcing for the company's private brands. Today, private brand merchandise represents more than \$100 billion in purchasing annually.

Walmart said yesterday that Ed Kolodziecki, currently president and CEO of Walmart Japan Holdings G.K. and Seiyu, has been promoted to executive vice president and will lead Walmart's Global Sourcing, reporting to Castro-Wright.

Walmart also said yesterday that it has "finalized a series of agreements with Li & Fung. The agreements are non-exclusive and do not include volume or shipment commitments. The strategic alliance between the two companies will allow Walmart to realize the benefits of consolidating a portion of its sourcing portfolio. Li & Fung, which is forming a new company to manage the Walmart account, is expected to build capacity that would enable it to act as a buying agent for goods valued around US\$2 billion within the first year."

In addition, the *Wall Street Journal* reports, Walmart "is consolidating its U.S. realty, store operations and logistics divisions, which will operate under three geographic business units, as the world's biggest retailer aims to become more efficient and lower operational costs." The company "plans to break up its U.S. business into North, South and Western regions, each of which would have its own real estate teams to scout and build new stores, and merchandising teams to fine-tune the mix of products sold to suit local customs. The new model more closely resembles the company's international operations, which are headed by country presidents with similar teams working underneath them."





Castro-Wright, in a memo to employees, said that the regionalized approach "will also support our efforts to accelerate our speed to market with new formats."

Retailers Look To Efficiency & Effectiveness In 2010

USA Today reports that the National Retail Federation (NRF) seems to be feeling pretty good these days, projecting a 2.5 percent retail sales increase in 2010 - which would be a five point turnaround from the 2.5 percent sales decrease seen in 2009.

However, this projection is linked to the notion that retailers are going to change the way they do business, aligning their products and services more closely with the needs and desires of shoppers...who are themselves realigning their priorities.

According to the story, there are four likely changes over the coming year:

- Stores will be more precise about what they offer and when, choosing to under-buy rather than over-stock, and focusing whenever possible on private brand or exclusive merchandise.
- Price will continue to be a critical component, with value being an over-arching concern for consumers. That means that retailers will be looking for sizes and packaging that will allow them to charge less whenever possible.
- Informational retailing is expected to be a major trend, as stores look for ways to not just be a source of product, but a resource for relevant information.
- And finally, retailers will be looking for ways to go green - in part because consumers demand it, but also because there is clear evidence that a green strategy can have a positive impact on the bottom line.

Deleted: s

Tops Completes Acquisition Of Penn Traffic Assets

Tops Friendly Markets has announced today that it has completed the court-approved acquisition of a majority of Penn Traffic's assets, including its 79 supermarkets over a four-state area.

The U.S. Bankruptcy Court approved the Tops' bid for these assets last week. The stores are located in New York, Pennsylvania, Vermont and New Hampshire.

Tops CEO Frank Curci said that a review of the acquisition by the Federal Trade Commission (FTC) will continue, and once it is completed, the company will pursue a capital improvement program.

"We are very eager and excited to begin working with store managers and associates to best serve the grocery shopping needs of our new neighbors and customers," said Frank Curci, Tops' president and CEO, who added that all stores will remain open and operating through a transition services agreement with Penn Traffic while Tops evaluates each store over approximately the next 30 days.

However, the completion of the deal apparently does not affect the lawsuit filed against Penn Traffic by Price Chopper, which is arguing that has bankrupt Penn Traffic broke its contract to sell it 22 supermarkets for \$54 million when it signed the Tops deal. In the suit, Price Chopper claims 'significant economic losses and damages' and seeks a 'break-up fee' of about \$1.6 million, or three percent of the \$54 million purchase price.

Sansolo Speaks: "Happy Holiday"

by Michael Sansolo

This being February 2nd it's hard to avoid some discussion of Groundhog Day and *Groundhog Day*. The latter, of course, is a movie and the reason Kevin and I wrote *The Big Picture: Essential Business Lessons from the Movies* is because we believe





films can provide easy ways to explain complex situations. And for today's holiday and today's business it would be hard to find a better example than this Bill Murray comedy.

The basic plot of the movie is that Murray, an obnoxious and vain Pittsburgh weather man, gets perpetually stuck in Punxsutawney, PA, and daily relives the celebration of America's best known rodent. But the metaphor is more important. Murray's character is stuck in his nasty habits and simply never progresses. It isn't until he tries to change, to learn and to grow that he escapes Groundhog Day.

There's another way of saying it much more bluntly: *Insanity is doing the same thing over and over again and expecting different outcomes.* In the best of times that's an awful strategy. In days like these it's beyond tolerable for any business.

Against that background, three speeches from last week's FMI Midwinter Executive Conference bear consideration well beyond the folks who heard it live.

First, let's revisit the Coca-Cola Retailing Research Project I wrote about last week. The topic - winning back meal time - has been discussed for decades in this industry and probably many of you wondered why it was raised again. The problem is that minus a few exceptions the industry is stuck in the same place, losing sales and meal occasions to restaurants.

Against that backdrop, this becomes a study you have to read to understand the special opportunities presented by the current economic conditions and the perils looming in the nation's shifting demographics. The suggestions in the study might help you avoid waking up in the same place again and again. (Visit <http://www.ccrcc.org> and click on "Eating In.")

Likewise, many of the topics covered by IRI's Thom Blishock have been discussed at length before, but also aren't near completion. It's easy to argue that the push toward frugality will end as soon as the economy turns around and that shoppers who have spent years enjoying an ever-expanding universe of products choice will never tolerate a reduction. However, if the trends toward frugality and simplicity are for real they play right into the strengths of operators like Trader Joe's, Aldi and Costco. It's not like the industry hasn't seen tectonic shifts in shopping habits before in the wake of economic struggles. Why relive Groundhog Day again?

Lastly, consider the lessons from political strategist David Plouffe, no matter how you feel about his best-known client, President Obama. His point was very simple again: focus on your inner circle to build advocates for your business.

Here too is a lesson that we'd think everyone would know. Engaged employees form the foundation for great sales. They become advocates with everyone they touch. Yet too often, especially in tough times, employees' needs are downplayed, their enthusiasm wanes and problems ensue. And after them there is no one more valuable than a loyal customer, yet how often are product deals and specials geared at new customers, ignoring and possibly insulting long-time loyalists? As Plouffe said, focus on the base and build from there. It works in politics and it can work for you.

The bottom line is you need to watch *Groundhog Day*. You need to ask yourself how often you are like Murray's character, repeating the same day and the same mistakes over and over again and wondering what it takes to end this nightmare. Ask yourself how you could change and grow so that each day takes on great value, meaning and purpose.

And whether or not you see your shadow, get out of that hole.

Michael Sansolo can be reached via email at msansolo@morningnewsbeat.com. His new book, "THE BIG PICTURE: Essential Business Lessons From The Movies," co-authored with Kevin Coupe, is available [by clicking here](#).

Meijer Looks For The Niche

The *Indianapolis Star* reports that Meijer is getting small - opening "downsized versions of its traditional stores -- putting the focus mainly on groceries." The retailer "opened its first new-concept location in Niles, Ill., last month in a vacated Value City site. A second is planned for another former Value City in Orland Park, Ill. Next in line: other Midwest cities like Indianapolis."

The new format, however, is more than just downsized. According to the story, these 100,000 square foot stores (which is only





small when compared to traditional Meijer units, which are twice as large) "will try to find a niche and sell groceries that reflect the ethnicity and demographics of the surrounding neighborhoods."

For Supervalu, Jewel Is Old News And Save-A-Lot Is Chicago's Future

Crain's Chicago Business reports that Craig Herkert, the new Supervalu CEO, "sees more growth potential in the Save-A-Lot discount chain than in the grocery giant's local flagship, Jewel-Osco," and plans to "bulk up Supervalu's presence in the increasingly crowded Chicago-area grocery business" by building Save-A-Lots - not Jewel stores.

Deleted:

"With prices 20% to 40% lower than traditional grocers'," *Crain's* writes, "Save-A-Lot would take on growing discount-style competition from Aldi and Walmart, which are expanding in and around Chicago."

Deleted: -M

"The strategy is a major shift for Eden Prairie, Minn.-based Supervalu, which in the past few years has remodeled Jewel stores to highlight quality and selection. Now, Mr. Herkert wants to rein in costs by reducing the selection of items at Jewel by as much as 20%. And by expanding Save-A-Lot rather than the longtime local market leader, Mr. Herkert, 50, is betting on a nameplate that's relatively unknown in Chicago."

FastNewsBeat

• Winn-Dixie has announced the completion of its first new store in six years, a "55,000-square-foot, state-of-the-art supermarket, located at 70431 Highway 21 north of New Orleans (that) features a 24-foot tall open entranceway highlighted by an outdoor farmer's market featuring fresh produce from local growers ... The store showcases Winn-Dixie's latest design concepts, including 21,000 square feet of polished wood flooring, 34,000 square feet of stained concrete flooring, and an exposed beam ceiling. At the entrance, a sleek, modern glass-front exterior overarches a covered walkway." In addition, the store "is the first grocery store in Louisiana to receive the Environmental Protection Agency's (EPA) GreenChill certification."

Deleted: ,

• *Reuters* reports that Costco plans to invest \$940 million (US) in Taiwan, with a plan to build a new distribution center and stores there.

Costco currently operates six membership clubs in Taiwan.

Deleted: o

• The *Salt Lake Tribune* reports that Kroger-owned Smith's Food and Drugs has opened its first Smith's Express convenience store in Utah, and plans to open a second one later this month.

• Sprouts Farmers Market in Round Rock, Texas, has earned the EPA's GreenChill Gold-Level Store Award for green refrigeration technology. According to the announcement, "The Round Rock location is the first in Texas and one of just 13 grocers in the nation to achieve gold certification from the GreenChill Advanced Refrigeration Partnership, a voluntary business-government program managed by the U.S. Environmental Protection Agency. The partnership's chief goal is to reduce emissions of refrigerants that damage the Earth's protective ozone layer and contribute to global warming."

The MNB Wal-Mart Watch

Walmart announced today a new promotion that combines low prices on flat screen HDTVs perfect for watching the Super Bowl, and party packages of food that are designed for consumption during next Sunday's NFL championship game.

The Balance Sheet

• Harris Teeter said that its first quarter sales were up 4.7 percent to \$972.3 million, on same-store sales that were off 2.4 percent. Q1 profit declined to \$42.3 million from \$44.3 million in the year-ago period.

Deleted: ,

• Ingles Markets reports first quarter sales of \$841 million, up 4.5 percent compared to the same period a year ago, on same-store sales (excluding gasoline) that were up 0.8 percent. Q1 net income was \$6.0 million compared with net income of \$11.1 million for the year-ago quarter.





- Costco Wholesale says that its January sales rose 10 percent to \$5.62 billion, on US same-store sales that were flat, and international same-store sales that were up nine percent.

- Spartan Stores reports that its third quarter sales were \$786.9 million compared with \$781.9 million in the same period last year; operating earnings for the quarter were \$13.7 million compared with last year's third-quarter record \$17.9 million, which the company said was the result of lower comparable store sales volume and fixed cost leverage, lower fuel and retail margins, and a non-cash store closure charge.

Third-quarter retail net sales increased 15.5 percent to \$443.4 million from \$384.0 million in the same period last year, on same-store sales that were down six percent. Third-quarter retail operating earnings were \$1.9 million compared with \$6.8 million in the prior year period.

- Walgreen Co. reports that its January sales grew 2.7 percent to \$5.36 billion from \$5.22 billion, on same-store sales that were down 1.1 percent.

- BJ's Wholesale Club reports that its January sales rose 13 percent to \$742.6 million, on same-store sales that were up 8.4 percent.

- Dollar Tree said its fourth quarter sales rose 12 percent to \$1.56 billion, with same-store sales up 6.6 percent. Annual sales at the retailer were \$5.23 billion, up 13 percent from the prior year, on same-store sales that were up 7.2 percent.

Executive Suite

- Supervalu announced yesterday that it has hired Julie Dexter Berg, most recently managing partner and founder of consultancy Brandmaking LLC, to be its new executive vice president and chief marketing officer. Berg, who has brand experience through tenures at Carnation Company and Nestle Foods, will begin at Supervalu on March 15.

- Costco Wholesale Corporation has announced that Craig Jelinek, the company's executive vice president in charge of merchandising, has been named President and Chief Operating Officer. Jim Sinegal will continue as Costco's CEO.

- *Business First of Buffalo* reports that Max Henderson Jr., the former executive vice president of Tops Markets, has been named president of Southern Family Markets, which is owned by C&S Wholesale Grocers and operates such banners as Bruno's and Piggly Wiggly.

Deleted: h