



*-Week Ending 10/24/08-*

*Below is the list of articles you will find for the week ending 10/24/08 edition of Retail Industry News.*

- ▶ Ten Things The Food Biz May Not Want Consumers To Know
- ▶ Target to Push Value, Fresh Foods
- ▶ Economic Crisis Prompts Some To Cut Back On Rx Consumption
- ▶ Winn-Dixie Broadens Discount Focus
- ▶ Safeway Expands Gas Savings Program
- ▶ Walmart Sees Real Shifts in Consumer Shopping Behavior
- ▶ Walgreen To Buy McKesson Division
- ▶ Sansolo Speaks: Most Value-able
- ▶ FastNewsBeat
- ▶ The MNB Wal-Mart Watch
- ▶ The Balance Sheet
- ▶ Executive Suite



Thanks to MNB  
for this selection of  
articles.

## Ten Things The Food Biz May Not Want Consumers To Know

*US News and World Report* has a piece that trains its focus on the nation's childhood obesity crisis, and suggests that there are ten things that the food industry does not want consumers to know. They are:

1. Junk food manufacturers spend billions to market their products to kids.
2. "The studies that food producers support tend to minimize health concerns associated with their products."
3. "Junk food makers donate large sums of money to professional nutrition associations."
4. "More processing means more profits, but typically makes the food less healthy."
5. "Less-processed foods are generally more satiating than their highly processed counterparts."
6. "Many supposedly healthy replacement foods are hardly healthier than the foods they replace. □"
7. "A health claim on the label doesn't necessarily make a food healthy."
8. "Food industry pressure has made nutritional guidelines confusing. □"
9. "The food industry funds front groups that fight anti-obesity public health initiatives."
10. "The food industry works aggressively to discredit its critics."

## Target to Push Value, Fresh Foods

*MarketWatch* reports that Target Corp. trying to regain a little sales magic in a down economy, is going to ramp up its marketing efforts behind a low price message as well as place more of an emphasis on fresh foods.

According to the story, "As part of its move to lure shoppers more interested in making all purchases at a single location, Target also said it's begun testing carrying perishables and other grocery items at its general-merchandise stores. In addition to being hurt by shoppers' perception that like items cost more at Target than at Wal-Mart and at other competitors' stores, Target also has been hurt by its smaller stock of food and heavier exposure to discretionary products such as apparel and home goods that consumers have cut back on in the face of higher food and fuel costs and struggling credit and financial markets."



## Economic Crisis Prompts Some To Cut Back On Rx Consumption

The *New York Times* reports that one of the ways in which some shoppers are trying to deal with the economic crisis is by cutting back on the purchase and consumption of prescription medications such as cholesterol-lowering drugs.

"Through August of this year," the *Times* writes, "the number of all prescriptions dispensed in the United States was lower than in the first eight months of last year, according to a recent analysis of data from IMS Health, a research firm that tracks prescriptions."

"Although other forces are also in play, like safety concerns over some previously popular drugs and the transition of some prescription medications to over-the-counter sales, many doctors and other experts say consumer belt-tightening is a big factor in the prescription downturn. The trend, if it continues, could have potentially profound implications. If enough people try to save money by forgoing drugs, controllable conditions could escalate into major medical problems. That could eventually raise the nation's total health care bill and lower the nation's standard of living."

## Winn-Dixie Broadens Discount Focus

Winn-Dixie Stores said yesterday that the current phase of its "Good 'Til" program, which offers customers reduced pricing on over 1,000 products, will receive increased focus in its weekly circular, along with "Buy One, Get One Free" and "10 for \$10" sales that are being promoted on a regular basis.

Robin Miller, Winn-Dixie's director of communications, said that the focus also will be on "fresh and local."

## Safeway Expands Gas Savings Program

Safeway announced that its popular PowerPump program, which gives gas discounts to its customers, is growing with BP and ARCO stations coming onboard. Since July, Safeway customers in selected regions have accumulated a 10-cent-per-gallon savings on gasoline with every \$100 in store purchases, either in one shopping trip or in multiple trips. To expand the program's reach, Safeway has partnered with BP so customers can go to a BP or ARCO station if their local Safeway store doesn't have a fuel station. Safeway customers will earn a \$1.50 for every \$100 they spend. The savings is loaded onto a reward card to be used at the BP or ARCO station and is reloaded each time the customer's purchases reach \$100.

## Walmart Sees Real Shifts in Consumer Shopping Behavior

*USA Today* reports this morning that Walmart is seeing some shifts in consumer behavior because of the economic crisis, noting that a percentage of shoppers is "waiting until they get their paychecks to buy even the most basic necessities."

According to the story, "Personal financial security, a recent poll revealed, was the No 1 concern for 80 percent of Wal-Mart shoppers, up from 65 percent a few months ago, said Eduardo Castro-Wright, president and chief executive of the Wal-Mart's U.S. operations."

The story also notes that "U.S. consumers have been cutting spending for months due to falling home values, job losses, higher prices for basics like food and fuel, and a global credit crisis." In addition, "credit used as a form of payment at Wal-Mart is falling and that the decline is expected to reach into the double digits this year."



The paper reports that “Wal-Mart has seen a rise in purchases of staples instead of discretionary items. Shoppers have more than doubled purchases of private-label items, eschewing name brands. Castro-Wright said, however, that Wal-Mart has no immediate plans to change the stores' merchandise mix to take advantage of the trend ... Some shoppers aren't coming to the stores as often so they don't have to drive as much. Others, who may be unemployed, are coming more frequently to buy a few items when they have money in their pockets, he said.

“And more sales are showing up around paydays. Wal-Mart has seen a 2.5% increase in sales at the start and the middle of the month, when workers are paid, compared with four months ago.”

## Walgreen To Buy McKesson Division

Chain drugstore chain Walgreen Co. said yesterday that it has reached an agreement to acquire McKesson Corp.'s specialty pharmacy division, which provides consultations and prescriptions for patients with chronic and expensive-to-treat maladies, and which the *Associated Press* notes is the highest-growth area in the prescription sales business.

Terms of the deal were not disclosed.

## Sansolo Speaks: Most Value-able

by Michael Sansolo

We Baby Boomers may be forgetting lots of things, but our cultural icons endure. You, too, may remember Charlie the Tuna, Starkist's cartoon spokesfish, who was always trying to class up his act. As we found out in every commercial, Charlie's self-improvement program never worked because Starkist didn't want tuna with good taste; they wanted tuna that tasted good.

The question is, do shoppers agree?

At the Natural Products Expo East Show last week in Boston, Kevin Coupe and I heard the answer clearly as “Yes.” And honestly, it was a little surprising. After all, the talk is obviously all about economics these days and we walked into the session we were running fully expecting some anxiety about whether shoppers would spend extra for the natural lifestyle. Instead, we heard the opposite. And traditional retailers and suppliers would be well served to listen.

What came across in the session and aisles of the show was a conviction that shoppers understand real value and that, in the end, will keep them buying natural foods. They talked about how the best argument for their products remains strong: money spent on food should be about getting the best food possible.

It's an argument worth hearing in many ways because value isn't a synonym for cheap. In fact, it is far more complex than that.

For instance, the business section in Sunday's *New York Times* profiled Apple computers in the midst of articles on the economic meltdown. The Apple article posed the idea that the economic storm may not hit Apple as hard as others. Despite noting that Apple's stock is down 51% and the analysts are breathlessly awaiting today's earnings report from the company, most still rate the stock a “buy.” The reason is that Apple's value is its premium products and that computer buyers of all sizes and types might see quality as the most important value today.



Or consider the creative ads being run by Boar's Head meats, which Kevin talked about a few weeks back. Boar's Head tackles head on the paradox of value with a suggestion to consumers who are cutting back on costs by brown-bagging lunches. Boar's Head suggests they spend a little of that savings on better lunch meats, which of course they claim to offer.

In other words, value doesn't only mean cheap. And those are words worth repeating.

Tasting good, as Charlie the Tuna always found out (and, by the way, Charlie is still around), matters more in tough times. There is nothing less valuable to a shopper than buying something on special only to have it disappoint. Likewise, there is no greater value than to see a purchase used to its fullest and maybe beyond expectations.

This is why the natural food folks have such a good argument to make on their seeming lack of concern about the economic pressures facing consumers. For an industry that built its image on selling what is billed as better products meant to be consumed and enjoyed slowly and carefully, value is self-affirming. One retailer Kevin and I talked with added that this is a great time for his store because it helps him make the point of the value and importance of family meals.

Say it again: value doesn't equal cheap. Value means value. But someone's got to tell the shoppers.

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## FastNewsBeat

- Walgreen reportedly has hired consultancy Booz Allen Hamilton to help it reconfigure its familiar drug store format, a move that comes just days after it said it was acquiring the specialty pharmacy division of McKesson Corp. as a way of expanding into new health services areas.
- *USA Today* reports that 100 "scientists and physicians have written a letter to the Food and Drug Administration asking for more regulation of increasingly popular energy drinks because their high caffeine content puts young drinkers at possible risk for caffeine intoxication and higher rates of alcohol-related injuries." Energy drinks have grown into a \$5.4 billion business, growing 55 percent annually, in the US, which is the world's largest consumer of energy drinks.
- MillerCoors announced that it is discontinuing the production and marketing of malt liquor beverage Zima, saying that there is diminished consumer interest in the category.
- The *Chicago Tribune* reports that Sears Holdings plans to close shutter eight Kmart and four Sears stores, saying that units are underperforming with no hope of revival.
- Tyler, Texas-based Super 1 Foods said yesterday that it will extend its "Got Gas?" promotion for an indefinite period, continuing to offer customers a five percent savings on their total grocery bill when they spend \$35 in one Super 1 Foods fuel transaction. The company said that the decision was based on strong consumer response to the initial program rollout.



## The MNB Wal-Mart Watch

- The *Wall Street Journal* reports that “Wal-Mart Stores, accounting for more than one-fourth of U.S. toy sales, has sent a clear message that it doesn’t plan to be undersold when it announced 10 well-known toys, including some Barbie dolls and Hot Wheels car sets, for \$10.” The cuts reportedly put the toys on Walmart’s list “25 percent to 40 percent below the prices of Toys ‘R’ Us and Amazon.com, Target began matching prices on three of the four toys it shares with Wal-Mart’s \$10 list.”

The goal is to get a head start in the upcoming holiday sales race, during which “cash-strapped consumers may favor no-frills basics over flashier merchandise,” the *WSJ* writes.

- In New Zealand, the *Herald* reports that Walmart “is making an aggressive push into China’s smaller markets as economic growth spreads to the hinterlands. Only three of the 30 outlets Wal-Mart Stores opened in China last year were in what it calls major cities: Shanghai, Beijing and Shenzhen. The rest were in provincial capitals or other smaller cities.

“The expansion is a key part of Wal-Mart’s attempt to gain a bigger foothold in what could become the world’s largest retail market. Faced with saturated markets at home, Wal-Mart and other Western retailers are increasingly looking to emerging economies such as China to drive sales growth.”

An example of China’s potential and importance to Walmart’s bottom line: the retailer recently reported that its Q2 China sales were up 32.2 percent, compared to the 16.9 percent increase reported for its overall international stores.

## The Balance Sheet

- Carrefour, the world’s second largest retailer, said yesterday that its third quarter sales were up seven percent to the equivalent of \$31.72 billion, with strong performances from its stores in France, South America and Asia.
- Amazon.com reported a 48 percent increase in net profit, to \$118 million from \$80 million during the same period a year ago. Q3 revenue rose almost 31 percent to \$4.26 billion.
- Weis Markets reports that its third quarter sales increased 6.9 percent to \$603.9 million, on same-store sales that were up 6.2 percent. Q3 net income totaled \$8.1 million compared to \$10.8 million in 2007.

## Executive Suite

- The Chicago Tribune reports that Wm Wrigley Jr. Co. CEO William Perez is moving into an advisory role with the company, a move that comes as Wrigley has been acquired by Mars Inc. Perez will be succeeded by Dushan “Duke” Petrovich president, who the Tribune writes “has been with Wrigley for more than 30 years and will be responsible for the company’s worldwide strategy, operations and business performance.”