



-Week Ending 1/8/10-

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Thanks to MNB
for this selection of
articles.

"Experience Consumption" Growing In New Economy

According to a new survey by the *New York Times* and *CBS News*, "Quietly but noticeably over the past year, Americans have rejiggered their lives to elevate experiences over things ... nearly half of Americans said they were spending less time buying nonessentials, and more than half are spending less money in stores and online."

But apparently it is not just a matter of spending less, according to the *Times* story: "They are also doing more. Some are working longer hours, but a larger proportion, the poll shows, are spending additional time with family and friends, gardening, cooking, reading, watching television and engaging in other hobbies."

The trend seems to be borne out by similar studies done by the US Department of Labor.

Experts call the trend "experience consumption" - rather than buying things, they are engaging in shared activities that can occur in places ranging from the hiking trail to the movie theater, an art museum to the kitchen.

Walmart Plans New Supply Chain Efficiency Initiative

The *Financial Times* reports that Walmart - already considered to be a paradigm of efficiency when it comes to supply chain costs - plans to launch a new initiative "to cut billions of dollars of costs from its supply chain by combining its store purchasing across national frontiers in a new stage in the globalization of its business."

One of the central goals of the plan is to wherever possible eliminate third party procurement companies - middle men - and buy directly from manufacturers all over the world.

According to the story, by Jonathan Birchall, "As part of its effort to combine purchasing for the 15 countries in which it operates, Walmart has established four global merchandising centres for general goods and clothing, including a centre in Mexico City focused on emerging markets, and a centre in the UK to serve its George brand. It is also shifting to direct purchasing of its fresh fruit and vegetables on a global basis, rather than working through supplier companies." Walmart also "expects to expand the programme through other categories, including seafood, frozen food and dry packaged groceries."





Coming Year Expected to Be Challenging One For Tesco

The *Financial Times* reports that Tesco may be facing its most challenging year in more than a decade, on a variety of fronts:

- At home, the company wants to stave off the slightly eroding market share trend that it has experienced in recent quarters, as the competition - including Sainsbury, William Morrison Supermarkets and Walmart-owned Asda Group - has upped its game.
- At the same time, Tesco is looking to build a major bank business in the UK, an effort that some experts suggest will take longer and cost more than the company expects.
- Speaking of costing more and taking longer than expected...Tesco also has to attend to its Fresh & Easy Neighborhood Market business in the western US, which is way behind expectations both in terms of size and profitability. Some of this can be attributed to a worse-than-anticipated California economy, and some of it to Tesco's less-than-optimal reading of US consumer needs and desires; however, it seems generally believed that Tesco at the very least has to reverse the perception that its US business has been a misfire.
- And finally, Tesco needs to continue with other parts of its global expansion, especially in markets such as China and India.

Sansolo Speaks: "Virtual Realities"

by Michael Sansolo

It's going to sound blasphemous to say this on an Internet site, but technology has its limits and we had better understand that sooner rather than later. During the recent one-week break here at MNB, three events had me focused on this position.

First, as you probably all read, there seemed to be a spate of drivers getting lost in Oregon while in really difficult places thanks to faulty directions from the GPS systems in their cars. Honestly, I love GPS systems, especially their ability to adjust directions when I constantly ignore my Tom-Tom's advice. (There needs to be a system for native New Yorkers that has a much harsher voice reminding me what a jerk I was for missing a specific turn. Then I'll listen).

But truth be told, I'm not a slave to my GPS. Before any trip of length, I'll still look at a map (on Google, of course) to familiarize myself with the basics of the trip. The folks who ended up in the wilds of the Oregon mountains clearly didn't think of this step. They should have.

Second, there was a marvelous interview in *Newsweek* with Secretary of State Hilary Rodham Clinton and one of her more renowned predecessors, Henry Kissinger. As well as discussing the incredibly complex nature of the job, Clinton and Kissinger talked about the rigors of almost non-stop travel. Clinton said the travel surprised her because she expected to visit more places and people virtually. That hasn't been the case at all.

"In fact it's almost as though people are more desirous of seeing someone in person," Clinton said. In other words, in a time when an electronic chat is so simple, the power of a face to face meeting takes on an even greater sense of importance. It's almost counter-intuitive, yet it makes a stunning amount of sense. The more electronic and casual we get, the more the power of a more difficult form of communication, like a handwritten letter, a personal visit or a face-to-face chat at a conference.

(Kissinger also offered an incredible thought on priorities. He said one of the biggest challenges is making certain *urgent* issues don't crowd out *important* issues. The latter are the key part of the long-term strategy, he said, even while the former require immediate attention.)

What brought this all together was, of course, a trip to the local supermarket with my discerning wife. The recently remodeled store now features three ways to checkout: with a cashier, self-scanners or wand scanners shoppers can cart around the store. After completing our trip with the wand, my wife asked me exactly why that technology is a good thing.



As you might expect, I launched into a review of all the benefits in costs, in changing the experience and even in the growing number of shoppers who simply like to play with new cool gadgets. (One friend of ours has become wildly enthusiastic about this store simply because of the scanner wands.)

What's more, I explained, many shoppers no longer like to interact with the cashiers. And that's where my wife turned the argument. In her opinion the cashiers in this store are actually great and the single best reason to shop the store. The cashiers tend to be experienced, knowledgeable and helpful. With the wands she sees the store surrendering its single biggest competitive advantage.

And just like that, my wife explained the complex relationship we need to strike with technology. We need technology for so many reasons, but only if we remember technology is still a tool to enhance what we do, just as Secretary Clinton has found with personal visits and no doubt the drivers in Oregon wished they had thought of earlier.

For years, futurists and sociologists have talked about the need to meld high tech with high touch. The more enamored we get with our gadgets, the more we need to remember that.

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](#).

Roundy's Fights Back For Market Share With Super Pick 'n Save Format

In Milwaukee, the *Journal Sentinel* reports on how Roundy's is utilizing its Super Pick 'n Save format - described as "a 100,000-square-foot format that has elements of a wholesale club" - as a way to stave off increased competition from the likes of Woodman's Food Market, as well as the expanded presence of both Walmart Supercenters and Super Target stores.

Woodman's, the story notes, "operates huge stores, encompassing 225,000 square feet. About half of that is selling space, with the back of the store devoted to warehousing. The company uses each of its stores as a warehouse for certain product categories and does not operate a central distribution center. Woodman's offers low prices on brand names, with large assortments, in a no-frills format. The stores do not offer full service bakeries, delis, meat counters or floral departments. A 15,000-square-foot liquor store boasts a wide selection of beers and wines."

Roundy's market share has seen some slight decline over the past year, and its CEO, Robert Mariano, has pledged to be aggressive in fighting for share. "We want to earn their business, and we want to work to keep it," Mariano tells the paper.

The *Journal Sentinel* reports that the Super Pick 'n Save format "evokes memories of the chain's early warehouse stores" and "has Pick 'n Save's traditional full-service bakery, deli, meat counter and floral department. It also has a salad, soup and sushi bars, as well as a cafeteria with a menu that includes fried and roasted chicken, macaroni and cheese, hush puppies, onion rings and hot vegetables. Shoppers can buy a meal and eat it in the seating area near the prepared food counters, or carry the food out.

"The Super Pick 'n Save also has a substantial offering of large-size products, including 20-pound bags of Riceland rice, 20-ounce boxes of Triscuit crackers, baby diapers and cleaning products." The story notes that the format is looking to be locally oriented, aiming "to serve varied ethnic tastes. The produce area has a counter filled with greens that appeal to African-American cooks: mustard, collard and turnip. In the store's huge packaged meat section, Mississippi hot sausage sits next to kielbasa. The frozen food area includes large bags of pierogi, a Polish dumpling."

Target Aims At Household Staples With New Price Promotion

The *Minneapolis / St. Paul Business Journal* reports that Target is greeting the new year with a new promotion "featuring bulk-packaged and other low-priced merchandise inside approximately 1,000 of its 1,740 stores.

"The Great Save, modeled after warehouse clubs like Costco and Sam's Club, will include products such as paper towels, granola bars, t-shirts and bath towels. A 35-pack of Market Pantry water, for example, will cost \$3.59, representing a savings of roughly 40 percent."





According to the story, "The move is the latest by Target to promote household staples - rather than the trendy clothing and housewares that it became known for over the past decade - to drive sales. The cheap-chic formula worked wonders before the downturn hit, but as money became tighter, customers shifted spending away from discretionary purchases such as clothing in favor of food and essentials. That trend plays more to the traditional strengths of Target rival, Bentonville, Ark.-based Wal-Mart Stores Inc."

FastNewsBeat

- Birds Eye Foods, which owns roughly a quarter of the nation's frozen food manufacturing business, reportedly has been sold to Pinnacle Foods Group for \$1.3 billion.
- The *Sacramento Bee* reports that as part of its national plan to open 750 new stores around the US over the next couple of years, 7-Eleven will open 50 of them in Northern California, increasing its fleet there by 10 percent. The company terms this "aggressive growth mode," as it looks for high traffic sites where it can bring an improved mix of convenience products and even fresh foods.
- The *Nashville Business Journal* reports that seven Kroger units in central Tennessee plan to stop being open 24 hours a day, and will close at night because "there hadn't been enough overnight sales to justify keeping them open. Hours may be extended in the future if traffic picks back up," according to a company spokesperson.

The MNB Wal-Mart Watch

- *Reuters* reports that Walmart-owned Asda Group in the UK has announced its most recent offensive in the ongoing British grocery price wars, cutting prices on 3,600 products by an average of 13 percent.

The Balance Sheet

- Costco reports this morning that its December sales increased 11 percent to \$8.26 billion, on same-store sales that were up nine percent.
- Family Dollar Stores reports that its first quarter net income rose 14 percent to \$67.6 million, from \$59.3 million during the same period a year earlier. The company had previously reported that its Q1 net sales rose 3.9 percent to \$1.82 billion, on same-store sales that were up 2.4 percent.
- Drug store chain Walgreen said that its December sales were \$6.3 billion, up 3.6 percent from \$6.1 billion during December 2008. Same-store sales were off 0.3 percent.
- BJ's Wholesale Club reports that its December sales were \$1.16 billion, up from \$1.06 billion during the same month a year earlier. Same-store sales were up 4.8 percent.
- Target Corp. said that its December same-store sales were up 1.8 percent, with total sales for the month up five percent to \$9.7 billion.