

- Retail Industry News from IRI for Week Ending 1/11/08-

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Thanks to MNB
for this selection of
articles.

Survey Points To Consumers Motivated By Environmental Concerns

A new survey by Information Resources Inc. suggests that almost half of US consumers "consider at least one sustainability factor in selecting consumer packaged goods (CPG) items and choosing where to shop for those products." In addition, "One-fifth of those surveyed were determined to be 'sustainability driven,' taking at least two sustainability factors into account when making their selections.

Other revelations from the survey:

- Approximately 30 percent look for eco-friendly products and packaging in their brand selection.
- Up to one-quarter of those surveyed consider fair trade practices along with eco-friendly or organic designations in selecting a shopping destination.
- Nearly 40 percent of consumers search specifically for organic products.

Target CEO Ulrich Retires, To Be Replaced By Steinhafel

Target Corp. announced that its CEO, Robert J. Ulrich, will retire from the company, effective May 1, 2008. He will be succeeded by the company's president, Gregg W. Steinhafel.

Ulrich will remain as chairman of the company until January 2009.

The *Wall Street Journal* notes this morning that Ulrich is credited with creating the chain's "cheap chic" strategy, though the change in leadership comes as Target is dealing with reduced consumer spending, slowing sales increases and pressure to maximize shareholder value.

MNB's Tales Of Tesco

- In the UK, published reports say that Tesco is both cutting prices on some 2,000 SKUs to match prices on similar items carried by discounters Aldi and Lidl, as well as launching 300 new items specifically designed to compete with the discounters.

The reports come after a story appeared last weekend that Tesco – concerned that discounters Aldi and Lidl are gaining in popularity and market share – has converted a warehouse near its Cheshunt headquarters into a mock German discount store and is using the space to figure out how to “set about beating them at their own game.”

Supervalu Focusing On Private Label Enhancement

In Minnesota, the *Star Tribune* reports that Supervalu, having transformed itself via its acquisition of much of Albertsons into a “retail powerhouse” of more than 2,500 stores, plans to, “pea by pea ... take stock of the 10,000 to 12,000 products sold under 100 or so company-owned labels and eliminate brands that don't measure up.

“That means tests on a wide array of products sold as supermarket versions of national labels; everything from canned vegetables to foam cups, vitamins to whiskey ... The result should be a slimmed-down catalog of 20 to 25 store brands, said Ryan Briggs, Supervalu's director of product development. ‘We want to focus more on branding, and less on just getting a product out on the shelf to sell it,’ he said during a recent tour of the new test kitchen.”

The goal of the effort – and the new testing facility – is to change behavior so that Supervalu promotes its brands in the same way that CPG companies treat their brands, and hence drive a higher percentage of sales to a segment in which the company can derive a greater profit. However, the company also understands that to justify consumer attention and loyalty, its various private labels have to achieve a high level of quality.

Sansolo Speaks: Winning Is Everything...But Not Always

by Michael Sansolo

The reason sports are so often used as a metaphor for life is actually very simple. Unlike politics, war, business or love, sports are finite. The rules are clear, the winners easily identified and the lessons fairly simple. The shades of gray that govern the world we live in are far more complex.

Yet, sports can provide lessons that require consideration.

Two weekends ago, the New York Giants played the New England Patriots in what was essentially a meaningless game. Both team had already clinched their playoff berths and the only drama of the game was this: would the Giants put out a full effort to try to derail the Patriots' hopes of an undefeated season. They decided to play hard, yet lost and had three key players suffer significant injuries. Yet in losing they provided a number of lessons, as did the incredible Patriots.

And as metaphors go, the game provided a couple that make for excellent business lessons.

First, winning may be great, but the good effort matters too. For most of the season, the Giants hadn't demonstrated an ability to beat any one other than bad teams. They rarely looked impressive and rarely looked ready to threaten any good team, not to mention the Patriots. Somehow in losing to the Patriots they managed to look better - and feel better about themselves - than they did in winning 10 other games. Measuring themselves against the best actually helped them. It's a great lesson for business and for employees, especially those managing others.

A good effort can really matter. I believe it was Hall of Fame pitcher Walter Johnson who said the best lessons came from losses, not wins.

Of course, losing has its limitations. For instance, one of the problems the Giants faced after the game was mental. Some of the players seemed just a little too pleased with the good effort. Luckily for them, they remembered that winning matters in time for their next game. Again, competition in business isn't as simple as wins and losses in defined games. It's a longer, less defined challenge. So benchmark yourself against the best. Set lofty goals and try like crazy to achieve them. And while your team can congratulate itself for the good effort, remind them that winning does matter. Learn from defeat and grow.

(It's hard to say how much it mattered, but the Giants won their first playoff game a week later by playing better than they had all year. Losing somehow built their confidence.)

Lastly, let's respect the incredible diligence that winners show. The lesson in this comes from the Patriots. The turning point of the game came on a failed long pass followed immediately by the exact same play that on the second try resulted in a touchdown. What happened was fairly simple: on the failed play the Patriots noticed a key Giants player limped off the field injured. Before his replacement could settle in, they exploited the weakness and scored.

It's an incredible trait of winners. The Patriots failed, but had the moxie and smarts to realize why it would work only 30 second later. It was a move that few teams, companies or individuals would try. But winners do the unexpected and make it work. Winners notice the key detail that separate a failed pass from a touchdown and exploited it immediately.

Sure it was just a game. The lessons, though, were not.

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Wal-Mart Hires Tesco Veteran To Run US Food Business

Wal-Mart announced on Friday that it has hired Jack Sinclair, a former executive at both Tesco and Safeway Plc in the UK, to be its vice president of grocery merchandise, in charge of planning, category management and general oversight of Wal-Mart's U.S. grocery business.

Sinclair will report to executive vice president and chief merchandising officer John Fleming, who said in a prepared statement, "Jack has a wealth of knowledge and experience in the retail food business and I look forward to his contributions as we continue to grow our grocery business, His passion for people, products and customers will bring new perspective and innovative thinking to our company."

The *Financial Times* reports that Sinclair is one of several British retail executives who have gone to work for Wal-Mart.

Amazon.com: Creating Value Through Customer Service

Great piece in the *New York Times* over the weekend by columnist Joe Nocera in which he described a positive – some might say near miraculous – customer service experience with Amazon.com in the days leading up to Christmas. The lesson of the experience, Nocera writes, may be that the best way to create value with a company is to focus on the customer – no matter how Wall Street values or doesn't value the investment that goes into such a strategy.

"Maybe, just maybe, taking care of customers is something worth doing when you are trying to create a lasting company," Nocera writes. "Maybe, in fact, it's the best way to build a real business — even if it comes at the expense of short-term results."

Nocera writes, "Millions of people instinctively go to Amazon when they want to buy something online because they have come to trust the company in a way they trust few other online entities. Amazon's technology, its interface, its one-click buying service — they are all incredibly easy to use. Its algorithms offer 'suggestions' for further buying that actually appeal to its customers. Its Amazon Prime program — for a \$79 annual fee you get two-day free shipping — is enormously popular. Unlike what happens at certain other technology companies, when you have a problem, the customer service telephone number isn't hard to find. It is even willing to correct mistakes that it didn't make, as I discovered over Christmas."

Nocera says that Amazon CEO Jeff Bezos' "dogged pursuit of a better customer experience has turned out to be exactly right. Yes, it's true that its international business has been growing rapidly, but that's not the only reason Amazon is back in high-growth mode. Amazon says it has somewhere on the order of 72 million active customers, who, in the last quarter, were spending an average of \$184 a year on the site. That's up from \$150 or so the year before. Amazon's return customer business is off the charts. According to Forrester Research, 52 percent of people who shop online say they do their product research on Amazon. That is an astounding number.

"There is simply no question that Mr. Bezos's obsession with his customers — and the long term — has paid off, even if he had to take some hits to the stock price along the way. Surely, it was worth it. As for me, the \$500 favor the company did for me this Christmas will surely rebound in additional business down the line. Why would I ever shop anywhere else online?"

FastNewsBeat

- Published reports say that the Great Atlantic & Pacific Tea Co. (A&P) plans to freshen up Pathmark's "plain Jane" stores now that it has acquired the latter chain, as well as create a new own-label program that will serve both entities.
- Delhaize Group said Friday that it has spent the equivalent of \$102.6 million (US) to acquire from Germany's Tengelmann Group Plus Hellas, which operates 33 stores in Greece. The move will allow Delhaize to expand the presence of its own Greek operation, Alfa-Beta Vassilopoulos.
- Rite Aid announced late last week that it plans to pull out of the Las Vegas market, closing 28 unprofitable stores there. The stores used to be part of the Thrifty Payless chain, which Rite Aid acquired 11 years ago.

Walgreen reportedly is buying Rite Aid's Las Vegas prescription files for an undisclosed fee.

The Balance Sheet

- Wal-Mart said yesterday that it appears that its 2007 holiday strategy, which was aimed at limited-time discounts that were designed to get customers into the stores early and often, appears to have paid off. The retailer's December net sales were \$46.6 billion, up from \$42.99 billion a year ago, with US same-store sales up 2.6 percent in the Wal-Mart division, and up 1.3 percent in the Sam's Club stores.

Eduardo Castro-Wright, head of Wal-Mart's U.S. stores division, attributed the improvement to "Wal-Mart's food performance (which) was very strong, which helped drive traffic to other areas of the stores."

- At Target, which in the recent past has tended to outperform Wal-Mart, it was a different story. December sales increased 0.1 percent to \$9.26 billion from \$9.25 billion, and same-store sales were up just 0.6 percent.

- BJ's Wholesale Club announced that its December sales were up 6.2 percent to \$1.03 billion, with same-store sales up three percent.
- Germany-based Metro AG said yesterday that its 2007 sales were up 10 percent to the equivalent of \$97 billion.
- Costco announced that its December sales were up 10 percent to \$7.55 billion, with total same-store sales up seven percent. Quarterly sales were up 11 percent to \$24.53 billion, with same-store sales up eight percent.
- Wal-Mart de Mexico, commonly known as Walmex, said yesterday that its annual sales in the just-completed fiscal year were up nine percent to the equivalent of \$20.57 billion (US). Same-store sales were up 1.8 percent.
- PriceSmart, operator of warehouse clubs in Central America and the Caribbean, reported that its first quarter net income was up 63 percent to \$6.7 million, from \$4.1 million during the same period a year ago. Q1 sales were up 24 percent to \$250.4 million with same-store sales up 21.6 percent.

Executive Suite

- The Kroger Co. has promoted Michael Hoffman, the president of its Kwik Shop chain, to be director of c-store bridging, responsible for finding and developing synergies between Kroger's supermarket and c-store divisions.

At the same time, Kroger has promoted Ken Nuss has been promoted from corporate director of marketing for Kroger's convenience stores to be vice president of marketing for Kroger's c-store division.

And Jeff Parker, as senior vice president of operations for Kwik Shop, has been promoted to succeed Hoffman as president of Kwik Shop.

- Keith Miller has joined Unified Grocers in the newly created position of Executive Director, Business Strategy. Miller, most recently a consultant, spent 11 years with United Grocers in Portland and eight years with Fleming Cos.