

- Retail Industry News from IRI for Week Ending 1/25/08-

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Thanks to MNB
for this selection of
articles.

Supervalu Points To “Fresh & Healthy” As Building Block For Future

In a presentation to investors and analysts yesterday, Supervalu chairman/CEO Jeff Noddle said, “We have delivered strong financial performance while transforming the company for the future. We are executing our plans to generate long term profitable growth which includes delivering improved sales, allocating capital to fund our business opportunities, and improving our overall financial condition.”

Noddle also said that the company’s stores that have been remodeled as part of the Premium Fresh & Healthy program are generating good results with healthy sales increases well above overall identical store sales growth. Noddle said, “We are pleased with our early remodel performance and plan to maintain our commitment to the important remodel program, increasing our major remodels in fiscal 2009 to 165 stores, up from fiscal 2008’s 125 store remodels.”

UK Seeking A Single, Simple Food Labeling System

In the UK, *The Guardian* reports that the government is working to create “a single, simple food labeling scheme” that would end the current “contradictory and confusing systems” and serve as a centerpiece for the government’s anti-obesity campaign.

“The anti-obesity strategy will also introduce planning guidance advising councils not to allow fast food outlets to be opened close to schools or parks,” the *Guardian* writes, and also will accelerate consideration of a “proposed ban on pre-watershed junk food advertising.” The government also plans to make cooking classes mandatory in the schools.

The *Guardian* writes: “Previous attempts to introduce a single labeling system have been thwarted by different supermarkets backing different schemes. Tesco has refused to back a traffic-light system, fearing consumers will shun food with red labels for salt, sugar or fat. It uses monochrome signposts based on guideline daily amounts (GDA) and claims this system is more informative.

“Sainsbury’s uses a traffic-light system, favoured by the FSA, while Asda and Waitrose back a hybrid system.

“Tesco chairman, David Reid, has agreed to sit on the Nutrition Strategy Steering Group, overseeing the £500,000 labeling research, and ministers believe his involvement ensures that Tesco will feel obliged to abide by its findings.”

Eight Retailers Make Fortune “Best Places To Work” List

Fortune has released its annual list of “100 Best Companies To Work For,” and eight of recognized companies are retailers. Wegmans remains in the number three position that it had last year. Starbucks moved up from 16th place to number seven, despite some of the tumult that the company has experienced over the past year.

California’s Nugget Markets moved up one place from 13 to 12. Whole Foods dropped from its 2007 position of five down to 16, and the Container Store dropped from number four to number 20.

Stew Leonard’s moved up from number 51 to 26, while Nordstrom dropped from 24 to 36 and Publix dropped from 57 to 91.

Other industry-related companies that made the list included SC Johnson, which dropped from seven to 27; JM Smucker, which went from 39 to 47, and General Mills, which was 60 this year and did not make the list in 2007.

Topping the 2008 list were Google at number one, and Quicken Loans at number two.

Sansolo Speaks: Second Impressions

by Michael Sansolo

Yogi Berra once said, “You can observe a lot by just watching.” Then again, maybe you can’t.

Last week I had my first opportunity to visit the new Tesco Fresh & Easy format in Arizona. Actually it was two opportunities at two different stores and the verdict is simple. Fresh & Easy is lousy; it’s colorless and seems to be completely misaimed. And it may just work.

That’s a little contradictory, I know, but these days what isn’t? Yet in this case, the details will help.

First, the pre-visit. Over the past few weeks, I’ve had discussions with numerous friends in the F&E marketplace and I’ve heard all manner of reviews. Some reported the stores doing well, while others saw a disaster. Some talked of it being the transformational shopping experience Tesco not only promised, but has delivered in the United Kingdom. Others said it looked like just one more example of a European company coming to the US and finding out that they knew nothing about America.

Upon visiting my first F&E, I would have totally signed up with the negative opinions except that I thought they were too kind. The store I visited looked lifeless, boring, confusing and unappetizing. The only saving grace seemed to be that there were so few shoppers in the store to actually notice the retail disaster unfolding around them.

Tesco, it seemed, had blown it. Actually, it was me who blew it.

Two days later I visited a second Fresh & Easy in a very different neighborhood and the picture could not have been more different. While not exactly jammed with shoppers, the traffic was strong and steady and the shoppers were doing exactly what Tesco no doubt dreamed of originally. All were filling shopping carts with a mix of prepared food items with staples.

One woman I spoke with said F&E has altered her mealtime preparation as she loaded up on a three different prepared dinners. (Lasagna was her favorite.) When I asked her about some pre-packed lunch snack packs filled with carrots, fruit, cheese and juice she examined it for one second and proceeded to place four in her

cart. The snack packs, she said, are exactly the kind of healthy solution she seeks for her kids.

She wasn't alone. Another women told me the pre-pack produce - a big negative in the eyes of many retailers - was a great idea and looked terrific. Fresh & Easy may not be a store for foodies, but many shoppers aren't in that category. For today's increasingly cooking-illiterate shoppers, the notion of picking every apple or pear might be less attractive than we all think.

And on top of those prepared options, shoppers were buying milk, detergent, wine and basically all the kinds of products that supermarkets in Phoenix will hate to surrender. As a friend of mine in Phoenix said, it's hard for him to pass by Fresh & Easy these days unless a shopping trip demands something that the store simply doesn't stock. Most interestingly of all, Fresh & Easy - like Costco before it - seems capable of drawing a highly affluent shopper to its low service, Spartan environment. High-end European cars dominated the parking lot.

Fresh & Easy would hardly be the first value format to find a warm reception among shoppers who can afford better and a soft economy might only help.

Of course, none of this means much at all. That I saw a terrible store in a low-income area and a good one in an affluent community isn't any guarantee of future direction, success or failure. What's clear is Fresh & Easy is good enough that it won't be easily dismissed or eliminated.

And likely, we see an even bigger battle when version 2.0 or 3.0 is being rolled out in the market place.

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H-E-B Sees Golden Opportunity To Influence Young Minds, Bodies

There has been a lot of discussion here on *MNB* in recent weeks about McDonald's advertising on the report cards of students going to school in Seminole County, Florida, as well as the use of free Happy Meals to reward kids for good grades. McDonald's and the keepers of the Seminole ivory towers – if indeed there are actual rather than metaphorical ivory towers in Seminole, Florida – pulled the plug on the program last week after being roundly criticized...and the discussion continues in "Your Views," below.

However, in Texas the *Lufkin Daily News* reports that H-E-B has initiated a new partnership with the Slack Elementary School there, teaching second graders "how to be a 'Healthy Buddy' and using physical education classes to provide them with tools they can use to achieve a healthier lifestyle.

"Tiffany Newcomb, the H-E-B Be a Healthy Buddy program representative, on Thursday came equipped with apples, mini chocolate bars, pedometers and journals for the students," the *Daily News* reports. "Program mascot, H-E-Buddy, a large paper bag filled with healthy foods, made a brief visit to say hello to the children."

Kim Holloway, a gym teacher at the school, gas gotten the students to use the pedometers to track how many steps they take each day, and then record the number of steps they take in their journals.

"Holloway then asked review questions about the digestive system to see what the students learned from her talk. For each question she asked, multiple hands were raised ... Holloway then told students they would get to choose between an apple and a chocolate bar as a snack. She explained that the chocolate bar was a 'sometimes snack' — a snack that was alright once in a while — and would not stay in the digestive system as long as an apple because it has less nutrients. She also reminded them that if they chose the chocolate bar they would have to exercise more to 'work it off.'

As the students filed by the table, some opted for the candy bar. Most however, went straight for the apple.

The school has other initiatives designed to keep kids moving, including a running program every Tuesday and Thursday. Students earn plastic foot charms for running a specific number of laps, until they earn enough to get the Golden Shoes Award — real shoes spray-painted gold.”

FastNewsBeat

- The *Detroit Free Press* reports that Kroger is ending its service agreement with a Supervalu-owned warehouse in Livonia, Michigan, and instead will shift those operations to its own distribution facility in Delaware, Ohio.
- IGA Inc has named its three US Retailers of the Year: Mike Carper, of Mick or Mack IGA, Newscastle, Va.; Tim Henderson, Henderson's IGA, Valentine, Neb.; and Gregory Lukeman, IGA Bohemia, Bohemia, N.Y. The three retailers will be honored at the IGA Global Summit in March.
- The *Grand Rapids Press* reports that Spartan Stores Inc. plans to spend \$8 million to build a two-story, 40,000 sq. ft., “flagship” D&W Fresh Market store in that city,” capping a stretch of new medical buildings going up along part of Michigan Street known as the Medical Mile.”
- Ahold announced that it has entered into negotiations with Schuitema N.V. in The Netherlands and CVC Capital Partners about a potential divestment of its majority interest in Schuitema's 50+ stores to CVC.

The MNB Wal-Mart Watch

• Wal-Mart said yesterday that “the number of associates who now have health care coverage through its new associate-tailored plans for 2008 or another source has significantly increased from 90.4 percent to 92.7 percent, and the number of uninsured associates decreased by more than 20 percent, compared to one year ago.” In addition, “more than 30,000 associates who chose Wal-Mart's coverage for the first time reported being previously uninsured” and that “the percentage of associates who reported having no coverage declined from 9.6 percent to 7.3 percent -- a figure significantly lower than the 17.7 percent uninsured rate nationwide for U.S. employed workers that was recently reported by the U.S. Census Bureau.”

Wal-Mart also announced that the company will commission a study to better understand associates who have declined coverage by researching why they choose to go without health coverage and identifying things that can be done to encourage them to accept health care coverage in the future.

“We are thrilled that we have moved a significant amount of our associates off the list of uninsured,” said Linda Dillman, the company's executive vice president of benefits and risk management. “While the number of uninsured Wal-Mart associates is less than half of the national average, it is still too high. Our goal is to have every eligible associate select health care coverage and we will share our learnings externally so that we can help advance the overall national discussion about access to coverage and the impact on the uninsured.”

According to the statement released by Wal-Mart, 50.2 percent of its employees are insured under its plan, and 22.3 percent are insured their spouse; 7.3 percent are uninsured, 4.3 percent have Medicare, and 4.2 percent are insured through their parents or college.

In a statement, Wal-Mart Watch, a union-financed organization, said it was “surprised that Wal-Mart is proud to report that half its employees choose not to take Wal-Mart's health care plan, including 7.3 percent who think Wal-Mart's plan is worse than nothing at all.”

The Balance Sheet

- Royal Ahold announced this morning that its Q4 sales rose 0.2 percent, and the company blamed the weakening dollar for the low growth rate. In the US, Ahold said, sales rose 2 percent to \$3.9 billion (US) at its Stop & Shop/Giant chains and 8.6 percent to \$1 billion (US) at its Giant-Carlisle chain.

Executive Suite

- Convenience store chain Casey's General Stores announced yesterday that its senior vice president John G. Harmon, who has been with the company since 1976, has resigned from the company, taking early retirement.