

- Retail Industry News from IRI for Week Ending 3/07/08-

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Thanks to MNB
for this selection of
articles.

7-Eleven Expands Private Label Presence

Florida Today reports that 7-Eleven is going the private label route, rolling out a line of snack products under the label "7-Eleven Select."

This is in addition to other new products - new types of iced coffees, guava-based pastries, snacks and a variety of additional Slurpee flavors – that were introduced in Florida this week at an annual showcase for employees and suppliers called "University of 7-Eleven." Similar events are planned for around the country.

According to the story, "The event showcased products and store configurations the convenience store giant plans to push in the upcoming year. With its private label brands and daily-made sandwich menus and fresh coffee -- a pot is never supposed to sit longer than 20 minutes at a 7-Eleven store before another is made -- the company is taking aim at a number of competitors.

"Think traditional grocery stores, fast-food stalwarts such as Subway and Quiznos, and specialty retailers like Starbucks."

And, the paper writes, "On Wednesday, University of 7-Eleven attendees were able to sample new foods such as guava and cheese pastry, curry chicken Asian roll and several new flavors of Slurpees, including Twizzler, Bubble Yum and a purple-colored fruit concoction called Baja Yaha ... Many new products are aimed at the company's key demographic of 18- to 34-year-olds, but 7-Eleven also is targeting younger consumers with the fruitier drinks and varying colors of some of the Slurpees flavors. That effort also includes partnering with video games and movies ... "

More Unlikely Competition For Supermarkets

Interesting piece in *USA Today* noting that there is a new trend in take-out meals...that travelers returning from trips are bringing food home from the airport. "With the eradication of in-flight meals, many passengers are carrying their own food aboard airplanes and many airport concessions are now offering prepackaged meals and snacks for just this purpose," the paper reports. "But many travelers are also taking those same prepackaged foods home at the conclusion of their trip."

In fact, "While most new airport food concessions are being constructed 'airside,' past security lines and close to gates, HMS Host is also installing kiosks and eateries in airport baggage claim areas specifically catering to travelers leaving the airport. In the United Airlines baggage claim area at O'Hare, HMS Host operates a Starbucks and Ciao Gourmet Market, an upscale American version of Ciao Ristorante, a Milan-based eatery with more than 155 locations primarily in Southern Europe. Ciao offers prepackaged, high-end healthy items including a tempting array of salads, sandwiches, fruits and vegetables, and gluten-free snacks as well as a tempting display of dessert treats ... HMS Host also operates a 24-hour Tim Horton's restaurant in the arrivals area at the Edmonton Airport and recently opened Yan Can, a Chinese cuisine eatery, adjacent to the baggage claim in Terminal 1 at San Diego International Airport."

How Sampling Builds Sales

The *Hartford Courant* has a story about the importance of sampling to the food marketing experience, citing a 2006 study showing that "92 percent of in-store consumers would rather be offered a free sample than a coupon; 70 percent will try a sample offered to them; close to 40 percent buy the product they've sampled. Sales of foods being sampled spike as much as 300 percent on the day samples are offered, the study found."

The *Courant* uses the new Stew Leonard's store in Newington, Connecticut, as an example: "No question, the celebration concept is hard at work at Stew Leonard's. By the front entrance, staffers are offering tiny cups of chicken chili, New England clam chowder or lobster bisque. Near the coffee bar, folks line up for chunks of hot doughnuts. In the produce department, shoppers down shots of fresh-squeezed orange juice, then go on to cookies in the bakery, salmon spread and crackers in the deli, fresh mozzarella in the cheese aisle, meatballs and sweet potato chips by the prepared-foods bar and sorbet near the frozen foods."

"We want people to feel like they're at a party," Stew Leonard Jr. tells the paper. "Handing out samples helps create that atmosphere. It's an expensive form of advertising, because of the extra labor and staff involved. But it's also good business. It allows us to introduce folks to our products. We usually double or triple sales of featured products. And you can't even measure the effects sampling has on the return customer and what they might buy next time they visit."

Changes Likely In Store For Carrefour

The *Wall Street Journal* reports this morning that "French luxury-goods titan Bernard Arnault and U.S. private-equity firm Colony Capital are poised to become the largest shareholders in Carrefour SA, as the French company's founding family took steps to reduce its stake, raising questions over the future direction of the world's second-largest retailer."

Now that the Halley family is stepping back from the company, it is expected that the new majority owners will push aggressively for changes in Carrefour. According to the story, "Carrefour would be a difficult candidate for an outright acquisition because of its size and because it could be viewed by the French government as a national champion and a company to protect against foreign ownership. Carrefour has been trying to rein in its sprawling operations and operate more efficiently so it can lower prices to compete better with rivals, particularly in France."

Report: Amazon To Get Into Wine Business

The *Financial Times* reports that Amazon.com plans to get into the wine business, probably by the end of the year.

According to *FT*, the company is looking to recruit a senior level wine buyer who will be responsible for “the acquisition of a massive new product selection for its site.”

The new category would augment Amazon’s growing, two-year-old dry grocery business, which is focused both on gourmet products and non-perishables; Amazon also is testing the fresh food business, but only with a limited pilot program in its home Seattle market at the current time.

Is Innovation An Overrated Business Function?

Interesting column in *Advertising Age* taking the position that “innovation is not a strategy, and companies that depend on a constant flow of new, innovative products will someday find themselves in deep trouble.”

The notion is that “every successful company needs a branding strategy, which may or may not include innovation,” and the columnist, Al Ries, suggests that “a business enterprise has only one basic function: build a brand that can dominate a category.”

And yet, Ries writes, “many marketing gurus have elevated ‘innovation’ to a point where it is widely perceived as the single-most-important function of a corporation.” But, he says, “Most brands don’t need innovations; they need focus. They need to figure out what they stand for (or what they could stand for) and then what they need to sacrifice to get there.

“It’s sacrifice -- not innovation -- that builds brands.”

Safeway Considers Spinning Off Gift Card Unit

The *Los Angeles Times* reports that Safeway CEO Steve Burd is now saying that he might spin off the Blackhawk Network gift-card business – which sells gift cards for chains such as Nordstrom and Starbucks at more than 63,000 outlets, including its own supermarkets and those of its competitors.

According to the story, Burd discussed the possibility at a Bear Stearns investor conference, though he refused to offer a timetable for such a move.

“We are determined to get the market to appreciate the underlying value of Blackhawk,” Burd said. “If at some point we feel frustrated in that the market’s not valuing that, then there would be an effort to monetize a piece of that so that we could get that appreciation.”

Price & Value Increasing As Consumer Priority

CNN reports on a new survey by AlixPartners saying that “economic uncertainty is forcing U.S. shoppers to consider low prices and bargains above all else for the first time in a decade,” and that indications are that “retailers with the lowest prices will perform relatively better than more upscale rivals over the next few quarters.”

Frederick Crawford, a managing director with AlixPartners, tells *CMW* that he's never seen price and value registering so high as a consumer concern. "We know that people are going to be focused on absolute price and value. We anticipate that means people will be trading down to those formats that are positioned well in that regard," he said.

And, Crawford said that he expected all retailers to be hurt this year as "US consumers rein in discretionary spending due to higher costs for food and fuel, declining home values, job uncertainty and the credit crunch."

***Sansolo Speaks: The Language of Audacity* by Michael Sansolo**

Many years ago, my mother taught me the meaning of the exquisite Yiddish word *chutzpah*. Chutzpah, she said, describes a man who kills both his parents and then begs a judge for mercy because he's an orphan.

Had my mom known about Visa, she might have had an even better story.

The audacity of the credit/debit giant should be well known to everyone in the industry by now, but sometimes it gets forgotten and that's a shame. What happens with the credit card industry should be questioned on a daily basis. Three recent articles about credit cards, particularly Visa, made me remember just how aggravating they can be.

The first was from Michelle Singletary, the *Washington Post* consumer columnist who cast a stone in the right direction this past weekend when writing about strategies economically stressed people need to use to get their financial house in order. Singletary referenced the amazing Visa ads where customers and store clerks go dancing through their day, completing transaction after transaction with plastic cards until the pattern is broken by, horrors, a person using cash.

Singletary, who writes extensively about personal finances, made the point that using cash more often might get consumers to think a little longer about some of their purchases. Visa, she explains, has no interest in that.

Sadly, her newspaper completely missed an opportunity to ask questions about Visa's market power just a few days earlier. Reporting on Visa's planned initial public offering of stock, the usually inquisitive *Washington Post* went soft, failing even to comment on Visa's 65 percent share of market. Can you imagine the questions that would be asked if Wal-Mart, suddenly announced it had a 65 percent share of any market?

The problem isn't the 65 percent market share, it's how it has been used. Anyone out there conducting commerce better have a firm grip on the fees and rules Visa and, to a lesser extent, MasterCard (23 percent market share) have used. Just as their commercials suggest, cash is a disruption to be avoided. Use the cards, rack up the fees and everyone's happy. NOT!

Retailers especially might want to consider handing every shopper an article that also appeared last week on *TheStreet.com*. *TheStreet* gave a wonderful explanation why paying taxes with a credit card is a bad idea. The key line was this:

"Many people see paying by credit card as convenient, but it costs money. Unlike retailers that absorb the credit card charges levied by the bank when you pay by credit card, the IRS has an exemption from this policy.

"So guess what? You end up paying the fees."

It's a not-too-subtle reminder we should give shoppers regularly that every time they use plastic - that there are fees to be paid. And paid, and paid. (On taxes, the fee is 2.49 percent.)

Maybe that will get shoppers thinking twice about just how free those cards really are. If nothing else, it should remind retailers how badly they are being taken. And get them good and angry to keep fighting this fight. It doesn't require chutzpah, just endurance. These changes won't come easily or without a cost. (*Check your trade association for details on the battle with the credit card giants and get involved.*)

Sometimes the best strategy for moments like this come from the great movie "Network." It starts by getting yelling that you are mad as hell and aren't going to take it anymore.

Then start doing something. *Michael Sansolo can be reached via email at msansolo@morningnewsbeat.com.*

FastNewsBeat

- Christian Haub, chairman of the Great Atlantic & Pacific Tea Co. (A&P), told a Bear Stearns retail conference this week that the integration of Pathmark Stores into the company's infrastructure "is right on track," and that the company has not "experienced anything unexpected on the positive or the negative side."

According to an *Associated Press* story, Haub "said A&P likely won't need to replace equipment or fully renovate the stores, but that it will put a renewed focus on value through in-store displays. Haub also said the company would introduce freshly cut vegetables and fruit to Pathmark's produce department."

- The *Austin Post-Bulletin* reports that Hy-Vee is partnering once again with Hormel Foods, which will be a key sponsor of the 2008 Hy-Vee Triathlon, described in the paper as "an Olympic team selection event for United States athletes who are competing for the chance to race at this year's global event which will be held during summer in Beijing, China."

The Triathlon, in addition to being part of the Olympics selection process, is also seen as a way of educating consumers about the importance of an active lifestyle when combined with a healthy diet.

The MNB Wal-Mart Watch

- *Dow Jones* reports that Wal-Mart plans to open 81 new stores in 30 states this month, and will open a total of 170 supercenters in the current fiscal year.

According to the story, "The company also said the stores include two additional new high-efficiency (HE-2) prototypes designed to reduce greenhouse gas emissions and use 25% less energy than a standard Wal-Mart Supercenter."

The Balance Sheet

- Wal-Mart Stores said this morning that its February sales were \$29.18 billion, up 8.9 percent over the same month a year ago. Same-store sales were up 2.6 percent.
- Delhaize Group said yesterday that its fourth quarter net income was the equivalent of \$175.2 million (US), down 0.5 percent, and fourth quarter sales of \$7.2 billion (US), which were down 3.4 percent from the same period a year earlier.

Delhaize said that its annual net income was up 16.5 percent to \$630 million (US), and annual sales were down 1.4 percent to \$29.1 billion.

The company said that a weak dollar was partially responsible for some of the numbers, and that it will an impairment charge of \$18.6 million for 25 Sweetbay Supermarket stores in Florida, saying that the units were not meeting expectations even as the company was optimistic about the division for the long term.

- Carrefour, the world's second largest retailer, announced that its 2007 net profit rose 0.7 percent to the equivalent of \$2.87 billion (US), from \$2.86 billion (US) during the previous fiscal year.
- BJ's Wholesale Club announced that its February sales increased by nine percent to \$655.7 million from \$601.8 million during the same month a year ago, with same-store sales that were up 5.9 percent.
- Family Dollar said that its February sales increased 4.4 percent to \$533.7 million compared with \$511.4 million for the comparable four-week period a year ago; same-store sales were up 1.3 percent.
- Rite Aid Corp. said that its February sales increased 50.8 percent to \$2.613 billion as compared to \$1.733 billion for the same period last year, a leap that is attributed to the company's acquisition of Brooks Eckerd stores last June. Same-store sales were up 2.2 percent.

Rite Aid also said that its fourth quarter sales increased 50 percent to \$6.8 billion, from \$4.5 billion during the same period a year ago, on same-store sales that were up 1.3 percent.

And, for the just-completed fiscal year, Rite Aid said that its total sales were up 39.6 percent to \$24.3 billion, on same-store sales that were up 1.3 percent.

- Target Corp. said that its February sales increased 5.9 percent to \$4.37 billion, from \$4.12 billion during the same period a year ago. Same-store sales for the month were up 0.5 percent.
- Royal Ahold said that its fourth quarter earnings were the equivalent of \$398 million, up 9.2 percent over the same month a year earlier. As previously announced, the company's total quarterly sales were up 0.2 percent to the equivalent of \$10 billion (US).
- Costco Wholesale Corp. reported that its net sales for the second quarter of fiscal 2008 increased 12 percent to \$16.62 billion, from \$14.80 billion during the second quarter of fiscal 2007, with same-store sales up seven percent. Net income for the second quarter of fiscal 2008 was \$327.9 million, compared to \$249.5 million during the second quarter of fiscal 2007.

Net sales for the first half of fiscal 2008 increased 12 percent to \$32.09 billion, from \$28.66 billion during the first half of fiscal 2007, with same-store sales up seven percent. Net income for the first half of fiscal 2008 was \$589.8 million, compared to net income for the first half of fiscal 2007 of \$486.4 million.

- Walgreen Co. said that its February sales rose almost 15 percent to \$4.93 billion, on same-store sales that were up 8.3 percent.

Executive Suite

- Don Fitzgerald, the former vice president of sales and merchandising at Meijer and a former Dominick's executive, is joining Roundy's as group vice president of merchandising and procurement.
- The *Wall Street Journal* reports that Starbucks has appointed Cliff Burrows, who runs the company's Europe, Middle East and Africa businesses, to take over as president of its US division. He succeeds Luni Skinner, who resigned from the company, and is part of broad management shakeup being engineered by CEO Howard Schultz to respond to a weakening business climate.