

## - Retail Industry News from IRI for Week Ending 3/14/08-

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Thanks to MNB  
for this selection of  
articles.

### **Many Economists Say US Now Is In Recession**

The *Wall Street Journal* reports that a majority of economists surveyed by the paper now believe that the United States has "slid into recession," an opinion shift that appears to have resulted from a US Department of Commerce report "that retail sales tumbled 0.6% in February; sales excluding volatile auto and parts decreased 0.2%.

"The decline reflected a sharp slowdown in consumer spending, the primary driver of U.S. economic growth, as Americans grapple with high gasoline prices and the credit crunch, as well as drops in home values and other asset prices."

The nation also lost 63,000 jobs in February, the second consecutive monthly decline.

The economists conceded that they have reached this conclusion despite the fact that the nation has not endured two consecutive quarters of declines in the gross domestic product; according to the paper, the National Bureau of Economic Research doesn't necessarily follow that definition.

Bringing the recession story home, *Marketing Daily* reports that "while rising fuel prices may get more headlines, the U.S. Department of Agriculture's Economic Research Service says the Consumer Price Index for all foods (both at home and in restaurants) jumped 4% between 2006 and 2007, the highest annual increase since 1990. And it forecasts an additional rise of 3 to 4% this year."

### **Tesco Adds To Fresh & Easy Bench Strength**

The *Times* of London reports that Tesco has reassigned Jeff Adams, the American-born CEO of the company's Thailand business, to its US Fresh & Easy Neighborhood Market business, where he will be number two to CEO Tim Mason. Adams also is a former Wal-Mart executive.

According to the story, "The move is likely to spark fresh concerns over the health of the new venture. Tesco has been dogged by persistent speculation that Fresh & Easy is missing internal sales targets set at the time of the launch in November last year."

However, while there has been considerable criticism of the Fresh & Easy format, sources at Tesco say that the

company merely is shoring up the division's executive ranks to support further expansion into Northern California; Tesco also is said to be considering moving into Colorado and Chicago.

There currently are about 55 Fresh & Easy stores operating in Southern California, Arizona and Nevada.

### **Trend Lines Favoring Eating-At-Home**

Two pieces of good news for the nation's supermarkets in today's *Wall Street Journal*:

- "The number of restaurant visits that Americans make annually has flattened out, and consumers have increased the number of meals they make at home. Last year, 207 restaurant meals were purchased per person, down from a peak of 211 in 2001, according to NPD. Meanwhile, Americans prepared 861 meals at home in 2007, compared with 817 in 2002, NPD says."
- "Another small but striking shift is that men are whipping up more suppers. They prepared 18% of at-home dinners in 2007, compared with 14% in 2003, according to NPD. The growing popularity of fancy home grills may be linked to that increase."

### **CEO Burd Says Safeway Will Focus On "Better Everyday Value"**

The *East Bay Business Times* reports that in an appearance before the Bank of America 2008 Consumer Conference this week, Safeway CEO Steve Burd said that the chain will be less focused on promotional pricing during the coming years and more focused on "better everyday value." Burd said that efficiency moves over the past few years have better positioned Safeway to offer lower everyday prices and is synch with the Lifestyle stores the company has been opening.

According to the story, "Burd also said he's not particularly worried about the entry of Tesco PLC, the British supermarket giant, into its home turf of California, where Safeway operates nearly 600 stores under the names Safeway, Vons and Pavilions. He said that each one of Tesco's Fresh & Easy Neighborhood Market stores that open within 1.5 miles of a Safeway has only 10 percent of the impact of the opening of another conventional supermarket."

### **Dollar's New General On Succeeding In The New Economy**

*The Tennessean* features an interview with Dollar General's new CEO - Richard W. Dreiling, who began his retailing career as a Safeway bagboy and worked his way up to executive positions with Safeway, Vons, Longs Drugs, and Duane Reade. Dreiling has only been with the 8,200-store chain for two months, but he is charged with maintaining growth in a tough economy.

Excerpts:

- "I believe we have opportunities within our core business to serve our current customer better. I can also look at you and say that I believe as we begin to focus on our merchandising strategy, we'll have a chance to broaden our appeal and attract more customers. What we offer is incredibly convenient locations with incredibly good pricing. And that's a win-win situation for a very large spectrum of the population, not just a lower demographic or rural customer only."
- "We pride ourselves on everyday low prices, consistent pricing, so the consumer doesn't have to come in and look at (a product) and wonder what he paid for it last time he was in. We are also the fill-in shopper for a Wal-Mart or a Target (customer), and I believe that we have the chance with our convenient locations and consistent pricing to attract more of those consumers."

• "I think there's no doubt that there's more economic downturn coming than we've seen already. There was an interesting article in the *Wall Street Journal* about the price of fuel, and that the consumer now is finally reacting to high fuel prices, buying smaller cars, et cetera. A bunch of economists sat around and said: "Why is that?" Well, the consumer is finally recognizing gas is high and it is not going to go down.

"The fact that there's pressure on food, which is facing inflation right now, and on gasoline, bodes well for (Dollar General). I think people are going to be looking for an inexpensive alternative to the channels that they've historically (shopped) in.

"Also, when you think about the economy and think about the big-box operators, they're all talking about a smaller-box (store) format now. And that smaller format is where we're keenly positioned already, and a format that we understand greatly as an organization. (The average Dollar General store today is about 7,000 square feet.) We have to see how the economic pressure plays out. But if you think about the channel we play in and the space that we play in, I could make a pretty powerful argument that we are well- positioned with our current and future customers."

## ***Sansolo Speaks: Wii The People***

***by Michael Sansolo***

Please do me a favor. Should I ever disappear for a length of time, hesitate before putting my face on a milk carton or rounding up the usual suspects. Instead, look in my basement and see if I'm in a trance playing Wii.

I have seen the future and it is amazing.

Those of you who have played Wii probably think me a latecomer. Chances are, though, that many of you probably haven't played it either. Either way, we need to consider what this incredible device portends for the shopping experience.

Wii is a video game console unlike any before it. Instead of using a controller to move your character around, the player in real life is the player on the screen. You move yourself to create action, using a hand held device to bowl, golf, play tennis...and more.

I got my opportunity to try Wii a week ago while out with my wife, and two other couples. We thought it would be fun to go bowling, even though none of us had done so in years. Entering a nearby bowling alley, we were stunned. Not only was the joint jumping, it was unlike anything I'd ever seen. Apparently it was "rave bowling" night, which meant almost no lights, loud music and hoards of teen-agers. (By the way, I have to applaud the bowling industry for coming up with a theme like that. Rave bowling is clearly a way to attract young people back into the building, which is pretty creative.)

But my group of fiftysomethings wasn't impressed. It was loud, dark and the wait was over an hour. So we jumped at the opportunity when one friend invited us to her house to bowl on the Wii.

Instead of sitting in a dark, noisy bowling alley, we sat in her family room bowling. It was social, exciting and fun. (By the way, contorting your body after a shot or kicking you legs doesn't help the ball at all, but you do it all the same.) After bowling two games, we did a quick tour of the Wii system and the host and I completed the evening by playing nine holes of virtual golf.

It was a blast and I was delighted when our host told me I could come over any time to play against her husband on the Wii. Heck, she even served Girl Scout cookies. As our host explained, the Wii is different from any video game she's ever allowed in her house. Unlike previous versions, she said, the Wii is social and gets her entire family together for fun time. That's no tall order, she admitted, for her 18- and 21-year old sons.

It should make us all think too. The golf industry is already voicing concerns about falling levels of play because people can't spend five hours on the course. The bowling industry, though showing creativity with Rave night, no longer has the connection to the mass population. And the retail industry better look at Wii and realize we aren't far away from virtual shopping that might completely alter our connection and hold on the shopper.

After all, if Wii can figure out how to make a virtual wind alter a golf shot, I'm pretty sure they can create one compelling shopping trip. A game that lets you line up your feet and angle any way you want in a bowling alley can certainly figure out how to give us the ability to walk a supermarket and select products.

I'd think about it some more, except I'm still contemplating why I can't quite hit the pocket correctly, which means I keep leaving the 10-pin standing. Clearly, I need time to practice.

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## **FastNewsBeat**

- In the UK, Tesco has announced a series of price cuts totaling the equivalent of \$345 million (US), which it said are designed to help "millions of families around the country (that) are struggling to cope with higher mortgage costs and rising energy bills."
- AOL has announced that it will launch a new service called Shortcuts that will use the Internet to allow manufacturers to distribute coupons. Consumers will be able to download the coupon values to their loyalty marketing cards, and then get the discounts when they check out at the store.

While the online coupons now will be identical to those distributed on paper, eventually it is expected that at least some of the discounts could be Internet-only.

- *Dow Jones* reports that Starbucks plans to "unveil transformational initiatives" during its annual meeting next Wednesday. Stay tuned.
- Larree Renda, Executive Vice President, Chief Strategist and Administrative Officer of Safeway Inc., was inducted into the California Grocers Association Educational Foundation Hall of Achievement this week – the first woman to be so inducted since the hall was created in 1993.

Safeway CEO Steve Burd praised her as Safeway's "superwoman."

- The *Wall Street Journal* reports that Pilgrim's Pride "will cut 1,100 jobs from closing a complex and six of its 13 distribution centers as the world's largest chicken processor struggles with the continued surge in feed costs." Pilgrim's Pride, according to the story, "blamed corn-based ethanol production for the feed-cost increase" and "said the retrenchment is 'part of a plan to curtail losses amid record-high costs for corn, soybean meal and other feed ingredients and an oversupply of chicken' in the U.S."

## **The MNB Wal-Mart Watch**

- In Arkansas, the *Morning News* reports that "a Wal-Mart employee, who suffered headaches after accidentally breathing cleaning chemicals through an office ventilation system, met her burden of proof and is entitled to additional medical treatment, the state Court of Appeals ruled Wednesday."

"The decision reversed a ruling by the Arkansas Workers' Compensation denying benefits." Wal-Mart reportedly had resisted paying for the additional treatment.

- The *Wall Street Journal* this morning reports that Wal-Mart "says it will start asking suppliers to measure the amount of energy used to make a handful of products, though the retailing titan isn't saying whether it will use the information to pick one supplier over another," a move that is called "the latest attempt in a push by Wal-Mart that the company says should both help the environment and cut costs. Wal-Mart has said it wants to cut packaging waste at its stores by 25% within three years, double the fuel efficiency of its truck fleet within 10 years and eventually operate entirely on renewable energy. Moves such as the packaging cuts involve changes by suppliers."

According to the story, "Wal-Mart says it will launch the examination of supplier energy-efficiency with 25 to 30 companies that collectively supply seven products: DVDs, toothpaste, soap, milk, beer, vacuum cleaners and soda."

### **The Balance Sheet**

- Kroger announced yesterday that its fourth quarter total sales increased 2.2% to \$17.2 billion for the fourth quarter ended February 2, 2008. Adjusting for the extra week in the fourth quarter of the previous year, total sales increased 10.2%. Same-store sales for the 12-week period increased 8.2% with fuel and 5.3% without fuel, based on the same 12-week period in both years.

Net earnings in the fourth quarter totaled \$322.9 million, down from \$384.8 million a year ago, when the quarter was a week longer.

For the just-completed fiscal year, Kroger said that total sales increased 6.2% to \$70.2 billion. Adjusting for the extra week in fiscal 2006, total sales increased 8.2%.

Same-store sales increased 6.9% with fuel and 5.3% without fuel, based on the same 52-week period in both years.

Net earnings for fiscal 2007 were \$1.18 billion, compared to \$1.11 billion last year.

### **Executive Suite**

- The *Wall Street Journal* reports that Marks & Spencer CEO Stuart Rose will become the company's executive chairman, succeeding the current chairman, Terry Burns, who retires June 1.

However, Rose will remain as CEO for the time being. Ian Dyson, the company's group finance director, is said to be taking on more responsibility in a new role as group finance and operations director, and is seen as a potential successor to Rose, who has committed to stay with the company until 2011.