

## **- Retail Industry News from IRI for Week Ending 3/28/08-**

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Thanks to MNB  
for this selection of  
articles.

### **CEOs Address The Current Economic Environment**

*CNBC* featured interviews with two food industry CEOs, in which they addressed the current economic decline and how their companies are coping with it.

Jeff Noddle, CEO of Supervalu, tells *CNBC*: "I don't think there's any question that people ... don't necessarily want to spend more time away from home and can't afford as [many] restaurant visits [as] in the past, so they are looking for solutions — meal solutions in stores. And [Supervalu] , [like] many retailers, are delivering more meal solutions in a value-priced way, so that people can pick up things that are ... ready to go or only need limited preparation and bring them home."

And Kendall Powell, CEO of General Mills, said: "We're focused so hard on productivity, we're working so hard to absorb some of these increases, that means we can pass on less, we have less to cover with price increases ... There are literally thousands of things that we do at General Mills to try to eliminate waste. You know, we used to put 20 different versions of snack pieces in our Chex mix, different sizes and different shapes. Consumers don't need that. They're happy with five different shapes. We used to buy ten different blends of margarine and oils for some of our products. Now we buy four different blends and we just figured out a way to do all of this much more efficiently."

### **Dollar Stores Build Business On Recessionary Attitudes**

The *Detroit News* reports that "an upswing in upscale customers helps Southfield-based Dollar Castle increase its revenue while other businesses are trembling in the economic turbulence, according to Eddie Denha, CEO of the 24-store chain ... His franchise owners and store managers report people in mink coats and Ralph Lauren wind breakers rolling carts through stores chock full of its top 10 purchased items, including paper towels, batteries, cleaning supplies and candles."

## **MNB's Tales Of Tesco**

- In Arizona, the *East Valley Tribune* reports that Tesco's Fresh & Easy Neighborhood Markets "could soon cover the Valley by opening locations about two miles apart, providing roughly one store for every 20,000 residents, the company said Wednesday."

And, the company said that public response to the stores has been "fantastic," and that it has become easier to find locations now that the chain's profile has gotten higher.

- Published reports say that Tesco is planning to open its first stores in Russia, and is looking for potential store sites. Analysts say that Russia is a tough market to crack since the population is centered in big cities that are far apart, creating operational and infrastructure challenges.

No word on what the Russia stores will be called...though "Almost Fresh & Somewhat Easier" is not reported to be one of the options.

- *Decanter.com* has a story saying that a wine sold exclusively at Tesco's Fresh & Easy stores in the US has been rated with 90 points by *The Wine Advocate*, considered a coup for the retailer and a real find for oenophiles.

The website notes that "the wine, Bodegas Palacio's Reflexion Rioja Reserva 2003, sells at \$9.99 and is one of more than 60 wines in the private label range sold at Fresh & Easy."

## **Survey Suggests Rampant Consumer Pessimism**

The *New York Times* reports this morning that a Conference Board survey suggests that Americans are more pessimistic about the economy now than at any time since 1973.

"Americans are bracing for rising unemployment and shrinking salaries, a gloomy outlook that could translate into a serious cutback in consumer spending, the primary engine of the economy," the *Times* writes, noting that while fears can be overblown, "expectations can often be self-fulfilling: worried consumers are less likely to make the big purchases that help keep the economy humming."

The *Times* continues: "The gloom among consumers appeared widespread. A quarter of those surveyed said that businesses conditions would worsen in the next six months, and nearly a third said the economy would have fewer jobs. Fewer Americans plan to purchase big-ticket items like refrigerators, vehicles and television sets, and more than half said that jobs were currently 'not so plentiful.'"

"Responding to a question about income expectations, the proportion of Americans who said they expected their incomes to rise over the next six months dropped to 14.9 percent, the lowest level since the Conference Board began its survey in 1967."

By the way, a new survey released by Citigroup Global Markets this week said that about a quarter of consumers would change their supermarket if 1) food prices continue to increase and 2) they find a place that sells groceries for less. And more than a third of consumers say they are spending less on indulgent food products.

## E-economy Beat: MyWebGrocer.com Persists, Grows

In Vermont, the *Burlington Free Press* reports on the ongoing success of MyWebGrocer.com, which “builds the online shopping feature that a supermarket hosts on its own Web page” and has persisted and grown for eight years even as other online grocers and e-commerce service providers have gone out of business.

CEO Rich Tarrant “is under no illusion that online grocery shopping is something everyone will flock to that will appeal to everyone,” the *Free Press* writes. “But, he said, a growing number of people are more comfortable on the Internet and online grocery shopping will develop a larger audience.”

The paper notes that MyWebGrocer has been profitable for the last few years, generated more than \$5 million in revenue 2007 and that Tarrant projects “just under \$10 million” in revenues for 2008. And, Tarrant tells the paper that “some of MyWebGrocer’s clients have as much as 10 percent of sales coming through online shopping ... he expects the number of purchases to grow at 40 percent a year.”

## Sansolo Speaks: The Mirror

by Michael Sansolo

It would seem there is a problem at PetSmart.

Judging from the reader reaction to a story Kevin ran last week, many *MNB* readers view a visit to PetSmart as a terrible chore. It’s cold and dismal, an experience to be avoided whenever possible. One reader suggested to Kevin he should start doubling up his dog food purchases to reduce his trips to PetSmart by half.

Brutal stuff, but honestly, I can’t disagree. As readers of this column know, I have a rather strained relationship with my beagle, Hunter. He has me extremely well trained, while I don’t have much luck with him.

Until recently, we purchased dog food for Hunter at PetSmart’s main rival, PetCo. (PetSmart lost our business a few years back.) At both stores, we saw all the problems readers reported at PetSmart. Each time I went it was a cold, empty transaction. Walking through the aisles of the pet superstore, there was something that always occurred to me: Many of the employees didn’t seem to care much about pets. In essence, they were simply selling boxes, bags, cans and the occasional salamander.

So we switched (well, actually, my wife switched.) She went to a store where Hunter—my personal canine garbage disposal—could be fed a more gentle diet for his aging system. (Why this is necessary for a dog that eats wood chips is beyond me, but my wife believes.)

PetCo probably didn’t notice us leaving and I’m doubt Hunter really cared. But let’s try to ponder this for a second in a more literary light.

Consider Robert Burns’ old Scottish poem, which translated into English says: “Oh would some power the gift give us, to see ourselves as others see us.” In other words, it’s so easy for us to comment on the failings of PetSmart, but what would others say about us?

For instance, consider the comment that PetSmart is a dismal trip and a chore to be avoided. I don’t know about you, but that’s a complaint I’ve heard about supermarkets quite often. If PetSmart is a trip to be avoided by stacking up purchases, is there some parallel with research that shows shoppers reducing their weekly trips to the food store? Maybe it isn’t all about gasoline prices.

I can’t tell you how many times I’ve been in a supermarket where I’ve wondered if the workers cared about food. Or were they simply moving boxes, bags and cans, just like the folks in my nearby PetCo. And will shoppers simply move those purchases elsewhere, just like my wife and I did with our dog.

Complicating matters, the choices keep getting easier for shoppers. If the store experience is no longer special, what keeps someone from giving up and moving food purchases on line, for example. It might seem like a remote idea today, but lots of remote ideas grow into big problems when not addressed. Especially when gas prices keep increasing and shoppers keep looking for ways to cut out some trips.

Phil Francis of PetSmart, who used to run Shaw's Supermarkets, is a better retailer than I would ever be and I wouldn't bet against him in his goal to reinvigorate his company. Check out the PetSmart website for the corporate officers. Nearly every one is photographed with a pet, including one officer holding a goldfish bowl.

Now check out a typical supermarket website. How often are the executives photographed in a kitchen or a store holding their favorite food or recipe?

Sure, PetSmart has problems. But are they really alone? Instead of criticizing them, maybe it's time to pull out a mirror and look at ourselves.

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### **Economic Pressures Ramp Up Coupon Usage**

CMS, the coupon processing house, has released a new study saying that consumers redeemed 2.6 billion coupons in 2007 – the same number that were redeemed in 2006, and the first time in 16 years that coupon redemption has not dropped.

Still, coupon redemption ain't what it used to be. In 1992, CMS notes, consumers redeemed 7.9 billion coupons.

CMS says that "marketers issued 302 billion coupons in 2007, a 6% increase over the previous year. However, that increase belies the fact that manufacturers reduced the number of promotional offers by over 8% while increasing the circulation of those offers by nearly 5% ... New products and competitive messages require richer offerings to get the attention of potentially less receptive audiences. Therefore, the broader messaging brought a significant increase in coupon values. Average values increased 10 cents per coupon to \$1.28, marking the highest level seen to date. At a nearly 9% increase, 2007 also saw coupon values outpace price increases for the first time since 2004."

Not surprisingly, among the economic factors leading consumers to redeem coupons are the increase in unemployment and hikes in food prices, CMS reports.

### **Hy-Vee Envisions New Small Store Format**

The *Des Moines Register* reports on Hy-Vee's plans to create a small store format that initially will be used to replace a full-sized unit that has been judged to be unsuitable to the neighborhood of Lincoln, Nebraska, that it serves.

Hy-Vee CEO Ric Jurgens tells the *Register*, "We think there is a value in developing a smaller store model with a limited assortment of merchandise." The unit is slated to be between 20,000 and 25,000 square feet, or about 25 percent the size of a traditional Hy-Vee.

## FastNewsBeat

- The *Arizona Republic* reports on efforts by two supermarket chains – Bashas' and Whole Foods – to give consumers "healthy shopping tours" that enable shoppers to be smarter about the foods they buy. And in this case, "smarter" doesn't just mean understand nutrition (though that clearly is a priority); it also means being able to plan meals wisely and economically.
- The *Sacramento Bee* reports that California-based Raley's "has been testing an experimental diesel exhaust cleansing system on its newer-model big rigs for the past five months, thanks to a \$500,000 grant from the Sacramento Metropolitan Air Quality Management District ... Results from the first 1,000 hours hauling groceries on Northern California and Nevada roads have impressed air district officials, who constantly look for new ways to cut emissions of smog-forming nitrous oxides, or NOx."
- Marsh Supermarkets has announced that it will open a new, small-store format – called Marsh Hometown Market – in New Palestine, Indiana, on the site of a unit that the company used to operate as an Arthur's Market.

"We're excited to come back to New Palestine with an updated supermarket" said Frank Lazaran, chairman/CEO/president. "We believe we now have the right format to make this a successful supermarket location."

## The MNB Wal-Mart Watch

- Wal-Mart announced last week that its private label Great Value milk will now only come from cows that have not been treated with artificial growth hormones, such as recombinant bovine somatotropin (rbST).

While the federal government has said that rbST poses no threat to people who consume it, Wal-Mart said that the move is in response to customer requests.

- Published reports say that a federal judge has ruled that two websites that parody Wal-Mart's image - *walocaust.com* and *walqaeda.com* - are satirical and therefore protected free speech under the First Amendment.

Wal-Mart had maintained that some people might be confused about the authenticity of satirical merchandise being sold by the site, and maintained that the merchandise infringed on its trademarks, but the judge ruled that a parody is protected and therefore not properly challenged by a trademark action.

## The Balance Sheet

- Drugstore chain Walgreen Co. reported second quarter net earnings that were up 5.2 percent to \$686 million, from \$652 million during the same period a year ago. Q2 sales increased 10.5 percent to a record \$15.4 billion, on same-store sales that were up 4.7 percent.

## Executive Suite

- The Wall Street Journal reports that Cott Corp. CEO Brent Willis is leaving the company, to be replaced on a temporary basis by David Gibbons, the former chairman/CEO of Perrigo. The search for a permanent replacement has begun.