



-Week Ending 4/10/09-

Below is the list of articles you will find for the week ending 4/10/09 edition of Retail Industry News.

- ▶ Connecting Food With Health The Old Fashioned Way
- ▶ C-Store Industry Sees Bright Spots In Murky Economic Times
- ▶ Despite Job Concerns, Public Seems To Be Optimistic About Economy
- ▶ CVS, Google Expand Patient Histories Initiative
- ▶ Sansolo Speaks: Unconventional Wisdom
- ▶ Wegmans Tops Consumer Reports List Of Best Supermarkets
- ▶ Higher Sales, Margins For Private Label
- ▶ "The Perception Of The Brand" Is Of Paramount Importance
- ▶ FastNewsBeat
- ▶ The MNB Wal-Mart Watch
- ▶ The Balance Sheet
- ▶ Executive Suite



Thanks to MNB
for this selection of
articles.

Connecting Food With Health The Old Fashioned Way

USA Today had a little nugget the other day about Fairfield, Connecticut, Dr. Kilbourn Gordon, who runs the Urgent Care Center there...and who has taken to giving his patients two kinds of treatments – the regular medical kind, and a package of chicken soup, which he apparently believes will be good both for their bodies and their souls.

Gordon says that patients' eyes tend to light up when they get the soup; he says he'd prefer to give them the homemade variety, but it wouldn't be practical. (He also takes care to tell patients with blood pressure problems that the soup has a high salt content.)

C-Store Industry Sees Bright Spots In Murky Economic Times

The National Association of Convenience Stores (NACS) is out with its annual state of the industry survey, offering the following nuggets of data:

- "Overall convenience store industry profits rose 54 percent in 2008 to reach \$5.2 billion, reversing a two-year decline where profits dropped 42 percent over that period."
- "Industry sales jumped 8.1 percent to reach \$624.1 billion, with both motor fuels sales (up 10.1 percent to \$450.2 billion) and in-store sales (up 3.2 percent to \$173.9 billion) showing growth."
- "The growth of in-store sales defied the overall trend in U.S. retail sales, which fell 0.6 percent based on U.S. Department of Commerce data. It also came despite a rare decline in the number of convenience stores. For only the third time in the past 15 years, the industry store count dropped – 1.0 percent to 144,875 – as many stores closed because of the punishing economic conditions."
- "Credit card fees continue to be the industry's top pain point, surging another 10.5 percent in 2008 to reach a record \$8.4 billion – nearly three times the level just five years ago."
- "The industry saw a modest 0.8 percent gain in number of employees, which rose to 1.73 million. Annual turnover numbers were even more impressive. For non managers, annual turnover was down to 109.0 percent; turnover for managers was down to 29.0 percent."





Despite Job Concerns, Public Seems To Be Optimistic About Economy

The *New York Times* has a new poll about the public's view of the economy, with some numbers that go have implications beyond the political.

"The poll found that 70 percent of respondents were very or somewhat concerned that someone in their household would be out of work and looking for a job in the next 12 months," the *Times* writes. "Forty percent said they had cut spending on luxuries, and 10 percent said they had cut back on necessities; 31 percent said they had cut both." Still, there is rising optimism: "The percentage of people who said the economy was getting worse has declined from 54 percent just before (President Barack) Obama took office to 34 percent today. And 20 percent now think the economy is getting better, compared with 7 percent in mid-January."

CVS, Google Expand Patient Histories Initiative

CVS Caremark announced this week that it is expanding its partnership with Google Health, allowing its customers to have their pharmacy records and histories, including those from the retailer's MinuteClinics, downloaded to their online accounts – an initiative designed to make such patient histories more accessible and complete.

Sansolo Speaks: Unconventional Wisdom

by Michael Sansolo

Try as we might, we simply can't things back to normal. Three stories in MorningNewsBeat last week gave us a stark reminder of how much we might have to challenge the notion of conventional wisdom in very un-conventional times.

The three topics were food safety, store hours and religious habits—incredibly unrelated issues, but all with common threads. And if you examine them through the view of today's volatile times, you can see how companies might want to radically change how they meet these challenges.

- Food safety came up with the less than startling news that consumer confidence in the food supply is down following months of attention to the Peanut Corporation of America. However, NPD, a really good research firm, predicted the number would rebound soon, just as it always does.

Except that these are different time. In the past, confidence always came back quickly after any kind of problem. But falling confidence in food safety worries me this time for two reasons. First, the PCA problem is different in that for the first time a company seemed casually indifferent to the problem it caused. That could taint consumer opinion for a long time to come.

Secondly, think about how long it has been since we have had a period free of some kind of recall. You can easily stretch back in your memory to the problem with: spinach, dog food, toothpaste, peanut butter, tomatoes (or was it peppers) and more. As if to punctuate the point, just last week we learned of a problem with pistachios that now isn't going away either.

So sure, conventional wisdom says confidence will come back in food and everything else. But maybe this time it won't and that means it's time for a new aggressive approach to bring information, transparency and assurance to shoppers. Sitting back and waiting for confidence to rise might be a risky way to go.

(Sidenote #1: A special thank you to Wegmans for taking pro-active steps. I had a strange case of intestinal distress two weeks ago. A call from my Wegmans notifying me that the "pistachio mix" I purchased was a problem did help ease my mind if not my gut.)



- The second story came from Kroger, which announced it was scaling back 24-hour operations at some stores. This is hardly an earth-shattering announcement, except once again, in unconventional times. Is it possible that the inexorable march toward 24/7 operations is beginning to come to an end? A very good retailer once told me the best thing companies could do to preserve the health of associates and stores would be to find one day of the week to close. That might well be a step too far for most, but reexamining 24-hour operations is probably an excellent idea.

No doubt, there are some stores that do well in the overnight hours. And no doubt, there remain some financial reasons that make it reasonable to be open at 3 a.m. But as with many things, it shouldn't be a blanket decision. When a company as big and as good as Kroger makes a move like this you wonder who might go next. And then we wonder if the conventional wisdom on store hours is about to crumble too.

- Conventional wisdom also comes into play on the debate we've had on this site over the past few days about a Dunkin' Donuts franchisee who refuses to serve pork because he is Muslim. It's been interesting to follow the comments and wonder why everything has been discussed but business realities.

Let's say this franchisee is serving a heavily Muslim neighborhood (many of which do exist in this country.) By selling pork he might lose his entire customer base, which might refuse to visit a store where these products are sold. The exact same conditions would happen in a religious Jewish neighborhood, where the presence of the bacon or ham sandwiches would render the restaurant useless.

In a country of increasing ethnic diversity, we face the challenge of marketing to groups with very different rules and traditions. But if we have learned anything in the past decades it is that companies need to think locally as often as possible. Conventional wisdom says that the company gets to determine the menu; unconventional wisdom says the menu should fit the market.

Unconventional wisdom is why McDonald's has slightly different menus in different areas; it's why Coca-Cola sells a special version of Coke during the Jewish holiday of Passover; and it's why fish fries still dominate Friday sales during Lent in other markets. It is also why certain retailers and restaurateurs refuse to open their doors on Sunday.

George Carlin used to describe the difference in possessions this way: if it's mine, it's stuff; if it's yours it's junk. Traditions can be viewed the same way.

We won't all agree on any of this and we won't all make the same decisions. That's fine, too. It's part of the complex world we live in today, which is why unconventional wisdom is so important and why fighting the status quo matters more than ever. No one ever said change would be easy.

Michael Sansolo can be reached via email at msansolo@morningnewsbeat.com.

Wegmans Tops *Consumer Reports* List Of Best Supermarkets

Consumer Reports has released its survey of the best national and regional grocery chains, and concluded that the best supermarket chain in the country is Wegmans, followed by Trader Joe's, Publix, Raley's, Harris Teeter, Fareway, Costco, Whole Foods Market, Market Basket, WinCo Foods, and Stater Bros.

According to a statement released by *Consumer Reports*, "Overall, grocers earned higher marks than in CR's last supermarket survey (2005) for service, checkout speed, quality of store brands, baked goods, and produce. But finding the perfect store was difficult. The few chains that were spotless, offered standout meat and produce, and had helpful and friendly staff and quick checkout earned only average scores for price, at best.



"The survey found it's hard to find the perfect store. Respondents found Trader Joe's, Costco, Market Basket, WinCo, Aldi, and Sav-a-Lot, to be better than others at offering low prices. Wegmans and Whole Foods offered praiseworthy meat and produce and Wegmans, Trader Joes and Raley's earned high marks for service. On the other hand, the least expensive markets generally offered so-so perishables and service."

Walmart ranked near the bottom of the *Consumer Reports* list, with low scores for fresh foods and service.

Consumer Reports also suggested how shoppers can save money at the supermarket...and in doing so, revealed some criticisms of how supermarkets do business:

- "Supermarkets are in the real-estate business, and prime selling space includes the middle or eye-level shelving. Vendors sometimes pay retailers hundreds, even thousands, of dollars in slotting fees to take on new products or display products prominently. Check whether similar products on top or bottom shelves are less expensive."
- "Many sales tempt you to buy more than one bag or box -- by touting, for example, four boxes of cake mix for \$5. But rarely are you required to buy all four to get the discount. Retailers are just planting a number in your head, hoping you'll buy a lot."
- "Some produce is much cheaper by the bag than by the pound. One ShopRite location recently offered a 5-pound sack of potatoes for \$2.99, compared with 99 cents per pound for loose ones in a bin. If the product has a long shelf life, bagged produce is a better buy, unless, of course, the only alternative is the 20-pound behemoth."
- "Organic means expensive, so buy organic versions of produce that's most likely to harbor pesticides when grown conventionally, such as peaches, strawberries, and bell peppers. Organic meats and dairy foods might be worthwhile but not 'organic' seafood because standards aren't in place."
- "More and more supermarkets sell store-made baked goods, often for less than the commercial alternatives. At ShopRite, six hot-from-the-oven rolls cost \$1.99; a packaged half-dozen from Freihofer's cost \$3.19."

Higher Sales, Margins For Private Label

The *St. Louis Business Journal* reports on how local companies – retailers such as Save-A-Lot, Dierbergs and Schnucks, and private label manufacturers such as Ralcorp and Gilster-Mary Lee – are finding that the recession can be good for business and the higher margins that own label products usually carry.

According to the story, Schnucks' store brand sales are up by double digits and now account for more than 20 percent of total revenue; Dierbergs' own label sales, while not specifically divulged by the company, are growing but are not as big a percentage as Schnucks'. Discounter Save-A-Lot's private label sales are 80 percent of sales, with about 800 of the chain's 1200 average SKUs being in private brands.

"The Perception Of The Brand" Is Of Paramount Importance

Interesting column by Al Ries in *Advertising Age* in which he makes observations about brand equity enjoyed by two major retailing names – Walmart and Starbucks.

"The most valuable thing a company owns is its position in the consumer's mind," he writes, and the most important thing a company can do is protect that position. Regarding Walmart, he suggests that Walmart's move into fashion, "was a total failure" because it was at odds with the retailer's essential value offering. However, he also writes that "Walmart was lucky its fashion foray didn't work. That would have hurt its low-cost reputation," which has helped it rebound and take advantage of the ongoing recession.



Ries argues that Starbucks is making a similar mistake with its Via instant coffee product, which he says waters down the company's brand reputation. Starbucks would be better off, he says, by lowering prices a bit – perhaps 10 percent – so that it is more affordable without diluting the differences between it and more mainstream players like McDonald's and Dunkin' Donuts.

"In the long run, the only thing that counts is the perception of the brand in the consumer's mind," Ries writes. "That's what marketing people should focus on. Not current sales which for luxury brands are certain to be hurt by the economy. Save the brand and when the economy improves, so will the brand's sales."

FastNewsBeat

- *Convenience Store News* reports that Giant Food Stores of Carlisle, Pennsylvania, plans to open its first convenience store, Giant To Go, next week in Lancaster, Pennsylvania. It is the first of two in the area scheduled to be opened this year, after which the company will assess the format and decide whether to keep going.

The store is slated to carry a range of fresh food items in addition to meal solutions offerings.

- Whole Foods said this week that one year after it eliminated the use of disposable plastic bags in its US stores, it has seen the use of reusable bags triple – and has kept 150 million plastic bags out of the nation's landfills.

The MNB Wal-Mart Watch

- *Dow Jones* reports that more than two years after binding arbitration began between Walmart's Canadian operations and the United Food and Commercial Workers (UFCW) there, a judge has essentially imposed a new contract that keeps wages and benefits where they are; a 30-cent per year raise, he said, will be used to offset union dues.

Arbitration began after a single Walmart store in Saint-Hyacinthe, about an hour east of Montreal, was organized by its workers and joined the UFCW.

Walmart said that the judge's conclusion reinforced its long-held position that its wages and benefits are competitive and that union representation was unnecessary.

- While the target audience may not exactly be aging baby boomers (yet), published reports in the UK say that Walmart-owned Asda Group plans to begin selling a line of collapsible wheelchairs, raised toilet seats and even urine bottles that will be of use and interesting to older shoppers and that previously have only been available through specialty stores and websites. (Asda notes that younger people facing illness or physical challenges will also find the line useful.)

The initial rollout will be 75 stores, with the goal to expand the line and have the offering in every one of Asda's stores.

Noting that the rollout can be considered pioneering for a supermarket chain, Asda said that "we are confident that it will more than likely be popular and relevant to customers' needs now and in the future."



The Balance Sheet

- Walmart said that its total March sales were \$36.2 billion, down 1.9 percent from the same period a year ago. The decrease was largely due to a 14.8 percent decrease in international sales; Walmart US sales were up 2.6 percent and Sam's Club sales were up 2.2 percent. Same store sales in the US division were up 0.8 percent without fuel, down 0.5 percent at Sam's Club without fuel. And up 0.6 percent overall on the US.
- BJ's Wholesale Club said that its March sales were up 1.7 percent to \$870.3 million, from \$855.9 million during the same period a year ago. Same store sales were off 0.1 percent.
- Target Corp. said that its March sales were down 2.3 percent to \$5.5 billion, from \$5.7 billion a year ago. Same store sales were down 5.3 percent.
- Costco Wholesale said that its March sales were down three percent to \$6.39 billion, on same-store sales that were down five percent.
- Family Dollar Stores said that its fiscal second quarter showed a profit of \$84.1 million, up considerably from the \$63.3 million registered during the same period a year ago. Q2 sales rose 8.7 percent to \$1.99 billion, on same-store sales that were up 6.4 percent.

Executive Suite

- The United Fresh Produce Association announced that Ray Gilmer, formerly head of communications and public affairs at the Florida Fruit and Vegetable Association, has been hired as its new vice president of communications.
- Golub Corporation/Price Chopper Supermarkets announced that it has hired Russell Zwanka to fill the newly created position of vice president of merchandising; he reports to Joe Kelley, vp of sales and merchandising.

Russell comes to Price Chopper from the North West Company, where he held the position of executive vice president of procurement and marketing.