

- Retail Industry News from IRI for Week Ending 4/11/08-

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Thanks to MNB
for this selection of
articles.

A Beautiful Day In The Neighborhood

USA Today reports that the hot buzzword in marketing these days is "neighborhood," which has become a term of art because it gives people a sense of place and community.

Examples:

- Starbucks stores brag about "the neighborhood's best espresso."
- Applebee's says in its commercials, "You're not just our customers, you're our neighbors."
- Both Wal-Mart and Tesco have "Neighborhood Markets."
- And the Lowe's home improvement chain advertises, "At heart, we're still a neighborhood store."

Study: Credit Card Fees Hit C-Store Profits

The latest annual report issued by the National Association of Convenience Stores (NACS) offers the following information:

- "Convenience store industry sales reached a new high of \$577.4 billion in 2007, but profits dropped by \$1.4 billion, largely because of higher credit card fees ... which surged \$1.0 billion, or 15.2 percent, to reach \$7.6 billion."
- Industry pretax profits dropped by roughly the same amount, \$1.4 billion, falling to \$3.4 billion. The net effect is that the industry's credit card fees are now more than double the industry's pretax profits, an extraordinary development considering that credit card fees surpassed industry profits for the first time ever last year."
- "Overall, industry revenues climbed only 1.4 percent, leveling off an extraordinary decade of growth that saw industry revenue grow more than three-fold from \$174.2 billion in 1997."
- "By nearly all performance measures, the gap is continuing to widen between the industry's top performers

and the bottom performers as the number of new one-store operators continues to grow. Since 2000, the number of one-store operators has grown 51 percent, from 59,876 stores to 90,683 stores, as major oil companies continue to divest their retail assets and operators sell off underperforming stores, frequently to new entrants who often initially lack experience and resources. Today, major oil companies own and operate less than three percent of convenience stores selling motor fuels."

California Bill Would Force Retailers To Charge For Plastic Bags

The Los Angeles *Daily News* reports that "California would have the nation's toughest plastic-bag law - requiring all large grocery stores and pharmacies to charge customers 25 cents per bag - under a bill sponsored and endorsed Thursday by Los Angeles County government.

The bill would amend an existing law that forbids local municipalities from imposing fees for disposable plastic bags. According to the story, "In January, the Board of Supervisors voted to require large grocery stores and retail stores in unincorporated areas to significantly reduce the use of plastic bags or face a ban in 2013."

However, the American Chemistry Council tells the *Daily News* that "state lawmakers should wait to see how the current state law - which calls for plastic-bag recycling - works out before passing another bill."

Carrefour CEO Speaks Of Worldwide Market Volatility

The *Wall Street Journal* this morning reports on a speech given by Carrefour CEO José Luis Durán to the World Retail Congress in Barcelona, Spain, in which he spoke of "a number of structural challenges, in all industries -- especially for the retail industry itself -- the scale of which we probably haven't seen in the last decades or even in our lifetimes."

Duran said that the rising wholesale cost of food, as well as the increased cost of raw materials and energy -- which are increasing at rates not being matched by the retail sector -- create market volatility that is affecting both his company and virtually all of the markets in which it operates.

The *Journal* notes that Carrefour itself "is at a crossroads. Its founding family is ceding its position as leading shareholder by dissolving a shareholder pact this spring. The move thrusts Blue Capital -- a consortium of private-equity firm Colony Capital and French investor Bernard Arnault that has two seats on the board -- into a dominant position."

Supervalu Harvests New Organic, Natural Private Label

Supervalu announced that it will roll out later this month a new Wild Harvest private label natural and organic line of products that initially will encompass 150 SKUs ranging from mealtime staples like milk, eggs, meat and fresh produce to pastas and sauces, cookies, crackers, cereal and juice. Long term, the brand will include approximately 250 to 300 products across various categories.

In addition to a broad selection of products from which to choose, Supervalu says that Wild Harvest is priced approximately 15 percent lower than branded organic and natural products and is positioned to meet or beat competitors' private-label organic prices.

"With the Wild Harvest brand, we're focused on helping consumers 'organify their world' by delivering a wide assortment of affordable, fresh, healthy and wholesome foods at their primary grocery shopping destination," said Adam Graham, Wild Harvest brand manager. "Now, the entire family meal can be organic - at a lower cost - from products conveniently available at a local SUPERVALU-owned supermarket."

"Organify your world" is, in fact, the slogan being used in advertising and in-store to promote the new line, which will be found in most of Supervalu's banners, including Acme, Albertsons, bigg's, Cub Foods, Farm Fresh, Hornbacher's, Jewel-Osco, Lucky, Shaw's/Star Market, Shop 'n Save and Shoppers Food & Pharmacy.

"The Wild Harvest launch demonstrates Supervalu's renewed focus on being a more customer-centric organization," said Duncan Mac Naughton, executive vice president, Supervalu merchandising and marketing. "Significant research and consumer insights went into the development of the brand, which has enabled us to create a highly desirable offering that speaks directly to consumers' desire for fresh, wholesome and affordable foods that help them live a healthier lifestyle."

The *Wall Street Journal* reports this morning that the Wild Harvest introduction is part of CEO Jeff Noddle's long-term plan to advance the company's private label sales, from the current 15 percent of the total to 17 percent during the next fiscal year and eventually to 20 percent.

Supervalu lays out the rationale for the line as follows:

"Consumer demand for organic and natural foods, which has grown 10 to 15 percent annually over the past 15 years across all retail channels, is a sign of shifting priorities among grocery shoppers who are increasingly mindful of a product's ingredients, origin and methods by which it is made rather than a passing trend.(1) With even faster growth of 25 percent annually, supermarkets now account for more than 60 percent of all organic/natural sales.(2) This further demonstrates that consumers appreciate the convenience of shopping for both traditional and organic/natural foods in their primary supermarket.(3) These factors, along with consumers' evolving health-conscious lifestyles, provided the platform for the launch of Wild Harvest, which represents the first major brand initiative for Supervalu since the company's acquisition of select Albertsons properties in June 2006."

Sansolo Speaks: Food, Fabulous Food

by Michael Sansolo

Truth be told, I'm a strange foodie. I love a good meal, but my definition of what's good may leave others scratching their heads.

For instance, I'm a member of a strange cult of residents of the eastern US. Whenever we travel west, specifically to California, Nevada or Arizona, our first stop is that slice of hamburger heaven known as In-N-Out. For the uninitiated among you, In-N-Out is just what it suggests—a quick meal on the run. Yet it is so much more.

At In-N-Out the décor is simple: clean, 1960s roadside chic. The menu is simple: burgers, fries, drinks and shakes. And the concept is simple: the food is fresh, cheap and really, really good. After that, simplicity ends.

For instance, my usual order (the double-double cheeseburger and yes, I follow it with a Lipitor) is guaranteed to take about 10 minutes. I don't mind, because my order like everything else at In-N-Out is made from scratch. The wrapper around my burger and the little boat for my fries reminds me about this. Each ingredient is carefully spelled out so that I know for certain that my bun was baked in the store and that only one specific type of potato was used for my fries. (Talk about merchandising the menu, In-N-Out gives details on everything except the ice in the soft drinks.)

Even the employees make it special, with no fewer than five different people checking on my satisfaction during one recent visit. Somehow, those "how are you doing" questions that annoy me from waiters in nicer restaurants seem more genuine while I eat a \$5.83 meal that comes with no hope of a tip.

What's truly incredible about In-N-Out is how the cult works. Mention that you visited one to a fellow easterner and you'll always get the same envious response from those who know. It's just a burger, but really it is so much more.

Food has that strange power over us and the reminders come all the time. While sitting in an airport yesterday discussing this column on the phone with the Content Guy (a foodie himself, as you might have noticed) I mentioned the name of a small restaurant I love in New Orleans. An attractive young woman, sitting nearby, turned around and quickly chimed in her feelings about the same restaurant.

So here's the question: where are the supermarkets in this discussion? Is that same passion for food beyond what we offer or is it simply something we forget? (And before you say it's impossible, consider this. I live 30 miles across the crowded Washington metropolitan area from the closest Wegman's. Yet mention Wegman's at a school event or anywhere else in our town and people will join the conversation to wax poetic about some product or recipe they just love.)

What's more, if In-N-Out burger can train high school age students to smile at customers and make them feel special, what stops the same from happening in your store or your company?

In short, nothing stops us. The battle for mealtime is always being waged and anyone can win it, even a burger stand with paper wrappers and red trays.

And just in case you need one more argument why mealtime can be won, check out this past weekend's *Washington Post Magazine*. The cover story is by food critic Tom Sietsema about a rising complaint with restaurants today.

It's not the food, the service or the cost. Rather, it's the incredible level of noise that diners put up with. (He didn't get into lighting, which to my aging eyes gets worse daily.) Sounds like one more good reason to get families back around the dinner table. Good food, good times and you might even hear each other speak. Now that's a memorable experience we should all be talking about.

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FastNewsBeat

- 7-Eleven will host its third Innovation event at its Dallas headquarters, inviting suppliers, vendors and manufacturers to apply to participate as the retailer looks for "the next Slurpee beverage, portable grill product, eco-friendly packaging, kid-appealing toy or whiz-bang prepaid service."

The event is slated to take place on June 10-11, 2008.

"We designated Innovation Day to provide local and national vendors, whether they've worked with us in the past, currently or never before, the opportunity to present their new, innovative ideas to our merchandising executives," says Kevin Elliott, 7-Eleven's senior vice president of merchandising and logistics. "We want to keep our product pipeline full so we're looking for companies that will come with great, new ideas, unique concepts, manufacturing capabilities and resources to meet the demand of our more than six-million customers a day."

- Bashas' – the Arizona company that operates Food City, AJ's Fine Foods, Sportsman's Wine & Spirits, Ike's Farmers Market, Eddie's Country Store, and both Bashas' and Bashas' Dine supermarkets – has been named a "best place to work" by the *Phoenix Business Journal* and BestCompaniesAZ for the second year in a row.

"We're very pleased to be recognized for such an honor two years in a row," Mike Gantt, Bashas' senior vice president of human resources, tells the *Sun Herald*. "The real honor, however, is knowing that our employees had

the ultimate say in this award -- it's wonderful to know they're satisfied with a well-balanced work environment that addresses both their professional and personal needs. Everyone benefits from this type of environment: our employees, our customers and the communities we serve."

The MNB Wal-Mart Watch

- The *Chicago Tribune* reports that the Federal Communications Commission (FCC) has fined Wal-Mart, Sears, Best Buy, Circuit City, Target and a number of other retailers a total of \$3.9 million combined for "failing to properly label that analog-only televisions will need to be retrofitted after the switch to digital TV next year."

According to the story, " An FCC rule, adopted last May, requires retailers to display or affix 'consumer alert' labels to analog-only TV equipment that says it will not receive signals after the nationwide digital transition -- without a special converter box. The rule is to keep consumers from buying TV equipment that will not work after the digital switch by Feb. 17, 2009. After that, if the TV doesn't get cable or satellite service or isn't hooked up to the converter box that translates over-the-air digital broadcasts, it won't work."

The Balance Sheet

- Family Dollar Stores reported that its March net sales decreased 1.6% to \$641.2 million compared with \$651.4 million during the same period a year ago. Same-store sales were down 4.4 percent.
- Longs Drug Stores reported that its March sales rose 4.7 percent to \$474 million, with same-store sales that were up 2.8 percent.
- Target Corp. said that its March sales were up 1.5 percent to \$5.59 billion, with same-store sales down 4.4 percent.
- Costco this morning reports that its March sales were up 11 percent, to \$6.57 billion, from the same period a year ago. Same store sales were seven percent overall, with a five percent same-store sales increase in the US and a 17 percent increase in global markets.

Executive Suite

- Weis Markets announced that it has named Bob Mawyer, former director of information systems at Giant Food, to be its new vice president of information technology.
- Target Inc. has promoted Kathee Tesija to be its executive vice president of merchandising. Tesija formerly was the company's senior vice president of merchandising for the baby, beauty, commodities, electronics, entertainment, health and wellness, pharmacy, sporting goods and toys divisions.

*Articles in the Retail Industry News can be found on the MorningNewsBeat web site at:
<http://www.morningnewsbeat.com>