

- Retail Industry News from IRI for Week Ending 4/18/08-

Below is the list of articles you will find for the week ending 4/18/08 edition of Retail Industry News.

- ▶ **Some Companies Look To Reduce Financial Reporting, Forecasts**
- ▶ **Economic Pressures Could Hit Organic Food Growth**
- ▶ **MNB's Tales Of Tesco**
- ▶ **The Bloom Is On The Joke**
- ▶ **Kroger Announces Sustainability Initiatives**
- ▶ **Tesco To Test Carbon Footprint Labeling**
- ▶ **Loblaws Looks To Assert Food Authority**
- ▶ **Tesco Looks On The Bright Side Of Life**
- ▶ **Sansolo Speaks: Lessons From The Deep End**
- ▶ **With More Time Than Money, Consumers Change Approach To Food Shopping**
- ▶ **FastNewsBeat**
- ▶ **The MNB Wal-Mart Watch**
- ▶ **The Balance Sheet**
- ▶ **Executive Suite**



Thanks to MNB
for this selection of
articles.

Some Companies Look To Reduce Financial Reporting, Forecasts

The *New York Times* reports that an increasing number of retailers are deciding to cut back on the amount of financial reporting that they do, citing a volatile marketplace that is made only more tumultuous by a constant drumbeat of financial data.

"Faced with an economic slump, a growing number of national retailers are abandoning the longstanding tradition of reporting monthly store sales and forecasting annual profits," the *Times* writes. "The stores say that they are eliminating outdated practices that encourage short-term decision-making and can confuse investors.

"But many Wall Street analysts and investors, who rely on these numbers to gauge a company's health and the mood of the American consumer, are crying foul. The motive for providing less financial insight, they suspect, is to avoid issuing embarrassing numbers in the middle of a recession, numbers that can drive down a company's stock price."

Among the companies making these kinds of moves are JC Penney, Macy's, CVS, and Starbucks.

Economic Pressures Could Hit Organic Food Growth

The *New York Times* reports this morning that "rising prices for organic groceries are prompting some consumers to question their devotion to food produced without pesticides, chemical fertilizers or antibiotics. In some parts of the country, a loaf of organic bread can cost \$4.50, a pound of pasta has hit \$3, and organic milk is closing in on \$7 a gallon."

According to the story, "Organic prices are rising for many of the same reasons affecting conventional food prices: higher fuel costs, rising demand and a tight supply of the grains needed for animal feed and bakery items. In fact, demand for organic wheat, soybeans and corn is so great that farmers are receiving unheard-of prices.

"But people who have to buy organic grain, from bakers and pasta makers to chicken and dairy farmers, say they are struggling to maintain profit margins, even though shoppers are paying more. The price of organic animal feed is so high that some dairy farmers have abandoned organic farming methods and others are pushing retailers to raise prices more aggressively. Several organic manufacturers worry that sales may slow as consumers cut back."

MNB's Tales Of Tesco

- Tesco's Fresh & Easy chain of stores announced that it will increase the number of stores it has in Las Vegas from 11 to 35...with 10 new sites selected in addition to 14 new locations that already had been identified.

The company currently is taking a three-month hiatus from opening new units as it evaluates the shape and progress of the 61 stores already opened in Southern California, Arizona and Nevada.

The Bloom Is On The Joke

Marketing Daily takes note of a new television advertising campaign for Food Lion's Bloom chain of stores, themed "Shop Happy," in which employees respond to customers' problems with a series of non sequiturs that focus on things like handmade artisan bread, "Angus beef at non-Angus prices," more convenient parking, and easy-to-reach shelving.

In addition, "the store is even giving its slightly-off-the-wall positioning a shove toward the guerilla-esque, printing 6 million stickers that employees can post anywhere—on products, on bags, and even occasionally, on shoppers. Dubbed Bloomisms, the stickers are just silly." They include phrases such as "Life is beautiful, and not just in a 'great personality' kind of way." And, "Live in the now. No wait, now. Okay, now."

"It's just a fun kind of supermarket," David Oakley, creative director of the ad agency BooneOakley, tells *Marketing Daily*. The campaign continues to use its description of "a different kind of grocery store," he says, and the ads make it clear that "even though everyone has stuff going on in their lives, Bloom is an escape from regular shopping. It puts you in a good mood."

Kroger Announces Sustainability Initiatives

The Kroger Co. this week has made several announcements in support of the company's ongoing commitment to green living and sustainability, and introducing several new programs and products that provide customers with a greater number of environmentally conscious choices.

Among them:

- "Through Kroger's Plastic Recycling Program, plastic bags, dry-cleaning bags, and other plastic shrink wrap can now be recycled in all of the Company's family of stores - including Kroger, Baker's, City Market, Dillons, Food 4 Less, Foods Co., Fred Meyer, Fry's, Gerbes, Hilander, Jay C, King Soopers, Owen's, Pay Less, Ralphs, Scott's, Smith's and QFC stores.

"Kroger's Plastic Bag Recycling program makes it easy for customers to recycle plastic bags because they can bring bags to their neighborhood Kroger store and deposit them into bins located in the front of most stores. Plastic bags are then collected and recycled into other products such as plastic landscape bricks, plastic lumber and other plastic bags."

- The company has also launched its first-ever online contest, Design Kroger's Next Reusable Bag, which allows customers to submit designs for Kroger's reusable grocery bags.

Lynn Marmer, Group Vice President of Corporate Affairs, says, "While Kroger has offered the colorful, low- cost bags for more than a decade, we wanted to give customers an opportunity to express their creativity, share their designs with family and friends, and show their commitment to sustainable living," and she noted that "reusable bags just make sense - just one reusable bag has the potential to eliminate 1,000 plastic bags over the course of its lifetime."

- "The plastic bottles for Kroger brand water manufactured in Kroger plants are now made of a thinner plastic, thereby reducing the amount of waste that is created by each bottle. The volume of water in the bottle remains the same, but less plastic makes them more environmentally friendly."

- Kroger also said that in 2007, its family of stores "collectively recycled 9.1 million pounds of plastic. Last year, Kroger stores and facilities recycled more than 1 billion pounds of cardboard."

Tesco To Test Carbon Footprint Labeling

In the UK, the *Guardian* reports that Tesco plans to test the use of “carbon labels” on a number of its private label products – such as orange juice, potatoes, energy-efficient light bulbs and washing detergent – as a way of allowing consumers to choose items less impactful on the environment.

The labels will state for each product “the quantity in grammes of CO2 equivalent put into the atmosphere by their manufacture and distribution,” according to the story, and will offer the category average as a comparison.

Tesco CEO Terry Leahy has been promising “a revolution in green consumption,” and he tells the *Guardian* that he hopes this approach will become a standard for environmentally themed labeling.

Loblaw Looks To Assert Food Authority

Published reports in Canada say that Loblaw has opened the third of a new format store, Loblaw Great Foods, in the province of Ontario.

“We want to be the food authority,” David Primorac, a spokesman for the company, tells the *Collingwood-Wasaga Beach Connection*.

The company has described the new formats in its press materials as “a return to Loblaw’s strength in innovation for fresh food selection and quality, and in the consumer retail experience.”

Connection reports that “the redesign and product offering reflect the changes in consumer tastes and include choices such as meal solutions for time crunched shoppers such as chopped vegetables for stir-fry cooking and pre-seasoned premium meats, along with new artisan breads and more than 350 varieties of local and international cheeses.”

Tesco Looks On The Bright Side Of Life

The *Wall Street Journal* reports this morning that UK retailer Tesco is reporting that for the just completed 2008 fiscal year, total sales were up 11 percent and net profit was up 12 percent, and said that its US Fresh & Easy stores are growing strongly...though *MarketWatch* notes that Tesco expects to lose \$200 million (US) on the nascent chain in its first year of operation.

According to the *MarketWatch* story, Tesco is “saying the response of customers has exceeded expectations and that sales densities are higher than the U.S. supermarket average. Its best stores exceed sales of \$20 per square foot per week. It’s still planning to open 150 stores this year and it’s planning to expand its Riverside distribution center and kitchen operation.”

Tesco also said that for the first five weeks of the 2009 fiscal year, total sales were up 13 percent, which it noted runs against expectations that a slowdown in consumer spending might negatively affect its sales.

“We begin the new financial year confidently - with a good start in the U.K., excellent progress in our established international markets and promising early performance from our investments in future growth, particularly in the United States, China and Turkey,” said Tesco CEO Terry Leahy, who also told *Reuters*, “Customers are more likely to look for value and value is one of the strengths for Tesco. We are a company for all seasons.”

Regarding Fresh & Easy, Leahy tells *MarketWatch*, “They’re performing ahead of budget, and more importantly - as far as the customer is concerned - they love it ... To some extent, people have got vested interests and so they want to see it fail. And I suppose the press are keenly interested in it, and are keen to rush to conclusion. But any seasoned observer will know that it takes time, and you wait for the company to report progress on a half-yearly basis.”

Sansolo Speaks: Lessons From The Deep End

by Michael Sansolo

All the discussions about Tesco and the less than stellar start of Fresh & Easy got me thinking...about sports. As you might have gathered from these columns, I like sports. I watch them, I play them and I get injured doing them all the time.

And I get inspired. Because in so many ways, sports reminds us of triumph, of perseverance, of the importance of practice and the wonder of rising to the moment. Sports gives me the opportunity to have the Mets tear my heart out three months before the Giants put it back in place.

And while I know it doesn't matter, I care.

So, someone please tell me what is going in the swimming pool. I don't know if you have noticed this, but records for swim racing are falling constantly. It's to the point that it's impossible not to notice. While I'm not a swimming fan, this strikes me as rather remarkable news. After all, if there is one sport that should be pure in how records can compare from one era to another, it should be swimming.

However, that could not be more wrong. The folks at Speedo, who gave us the bathing suits we never want to see our neighbors wearing at the beach, have done something remarkable. They have developed a racing suit called the LZR Racer that, as best I can tell, turns humans into dolphins. Suddenly, no record is safe.

Now let's be honest. We don't really care about swimming here at MorningNewsBeat. We care about business. But the metaphor of the LZR suit is just too good to pass up.

Because if I were a swimmer I imagine there are three reactions to an LZR-suited competitor.

1. Laugh it off. After all, I have to believe it looks silly and therefore deserves a laugh.
2. Claim it's an unfair advantage after I get beaten soundly.
3. Buy an LZR suit.

The truth is that while the world usually moves forward in small steps, occasionally we get an LZR moment. It happens when a competitor figures out something that no one else even considered. Just look outside at the nearest Wal-Mart, Whole Foods, Trader Joe's, Costco, Starbucks or Jamba Juice. Or look at the people next to you wearing I-Pod ear buds or Crocs or Under Armor...and remember when those companies were all really small.

In every one of those cases (and many more that I'm not naming here) someone figured out something big. It might have been a gamble on shoppers buying stuff a new way. It might have been a new approach to an old product or service. Or it might have been a dedication to issues that others didn't have. But with focus and dedication, all of these companies built powerhouses. And even though the mighty stumble from time to time, the changes they wrought won't disappear anytime soon.

If we could, we'd all like to have a LZR moment. We'd love to find that incredible breakthrough that makes us unassailable if even for a second.

But I have to believe the story of the LZR is much more pedestrian than that. I can't imagine how many minuscule improvements Speedo made on the way to the LZR. Or how many models they tried that didn't work. Yet, they didn't give up and the LZR was born.

Leo McGarry, a character on the television series "The West Wing," once said something like, "in the history of everything that works, there was a time when it didn't."

So ask yourself, will Fresh & Easy become the latest European casualty in North America or will it yet create a transformative shopping experience?

Keep your eye on the pool.

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With More Time Than Money, Consumers Change Approach To Food Shopping

The *Fort Worth Business Press* reports on a trend that seems to be evolving in the Dallas-Fort Worth market: Consumers "are turning to specialty grocery stores to fulfill a portion of their shopping needs and that could mean more niche grocery stores for the area."

In essence, more consumers are deciding that for certain purchases, they will go to HEB's Central Market, Whole Foods, Minyard's Carnival Foods, or Sprouts Farmers Market, and then will use more traditional mainstream grocers for, well, more traditional mainstream purchases. It is a matter of assigning value to specific categories.

At the same time, according to the story, there are some new players: "In July 2007, a drive-thru grocery store called Fresh Lane joined the slew of new specialty grocers cropping up. Brent Sheed, CEO of Fresh Lane LLC, said the theory behind the 900 square-foot location is to offer customers grocery staple items such as milk, bread and eggs without having to get out of their vehicles.

"Three Fresh Lane stores are currently operating in the Dallas/Fort Worth market – the flagship store in Saginaw and two Lewisville sites. A Keller location is slated to open this fall and Sheed said he is currently scouting several Fort Worth locations."

FastNewsBeat

- *USA Today* this morning reports that new legislation drafted by Democratic leaders in the US House of Representatives could require new fees charged to food and drug companies that would in turn be used to increase government oversight of these industries.

However, opponents say that any fee increase would come at precisely the wrong time.

"We should not be taxing food companies at a time of record food prices," Scott Faber, vice president of the Grocery Manufacturers Association, tells *USA Today*. "Congress ought to provide the (Food and Drug Administration) with ample funding and not pass that cost on to companies and consumers."

The MNB Wal-Mart Watch

- Wal-Mart said yesterday that it will invest the equivalent of more than \$700 million (US) to develop e-commerce capabilities in Brazil later this year, saying that online shopping will be a critical component of its Latin America growth strategy.

The Balance Sheet

- Rite Air Corp. reported fourth quarter revenue of 6.82 billion, up 50.5 percent compared to the same period a year ago, reflecting its acquisition of the Brooks Eckerd stores. Same-store sales for the period were up 1.3 percent, while the company declared a net loss for the quarter of \$952.2 million, compared to last year's fourth quarter net income of \$15.1 million.

For the 52-week fiscal year ended March 1, 2008, Rite Aid had revenues of \$24.3 billion, up 39.8 percent compared to revenues of \$17.4 billion for the 52-week prior year, with same-store sales that were up 1.3 percent. The net loss for the year was \$1.1 billion, compared to last year's net income of \$26.8 million.

- For the just completed fourth quarter, Supervalu reported that its profits were up 30 percent to \$156 million, from \$120 million during the same period a year ago. Q4 revenue was up less than one percent, to \$10.39 billion.

Supervalu's 2008 fiscal year revenue was \$44 billion, up 18 percent compared to \$37.4 billion last year. And annual net earnings were \$593 million, up 31 percent compared to \$452 million in the previous fiscal year.

Executive Suite

- GMDC announced the hiring of Jane Colvard – the former manager of education at the American Numismatic Association – as its Manager, Member Services, with responsibilities that include growing GMDC's membership and conference attendance, including creating programs to recruit new members and retain existing members.