



-Week Ending 4/24/09-

Below is the list of articles you will find for the week ending 4/24/09 edition of Retail Industry News.

- ▶ Retail Trade Associations Announce Plan To Merge
- ▶ Fresh & Easy's Numbers Give Pause, But Tesco Keeps Moving Forward
- ▶ Earth Day NewsBeat
- ▶ Carrefour To Launch New Discount Private Brand
- ▶ E-economy Beat
- ▶ Sansolo Speaks: Wrong War, Wrong Store?
- ▶ Bezos On Amazon's Business Strategy: Conviction & Consistency
- ▶ In New Fortune 500, Walmart Slips To Number Two
- ▶ FastNewsBeat
- ▶ The MNB Wal-Mart Watch
- ▶ The Balance Sheet
- ▶ Executive Suite



Thanks to MNB
for this selection of
articles.

Retail Trade Associations Announce Plan To Merge

The National Retail Federation (NRF) and the Retail Industry Leaders Association (RILA) have announced that their respective executive committees have unanimously agreed in principle to merge them into a single trade association representing retail interests in the nation's capital.

According to the joint statement released by the associations, the new structure "will provide enhanced value to both RILA and NRF's members and help to ensure that the retail industry speaks with one voice to advance the industry and its more than 15 million workers."

The new association has not yet been given a name, but is expected to provide both a stronger lobbying voice in Washington, DC, as well as compelling educational services to their membership.

The associations said that "completion of the merger requires that both NRF and RILA submit to a thorough due diligence process ... Both associations' boards of directors must recommend the merger, and both memberships must approve it."

The merger is expected to be completed by this summer.

In related news, NRF CEO Tracy Mullin announced that she would retire from the organization she has served for more than 30 years at the end of 2009. The announcement said that Mullin told the NRF board of her plans last year, but thought that it was appropriate to make her decision public at this time.

Fresh & Easy's Numbers Give Pause, But Tesco Keeps Moving Forward

While it has been well known that Tesco's Fresh & Easy Neighborhood Markets chain in the western United States has not been living up to the company's early expectations, yesterday Tesco put numbers out there that demonstrated exactly how the store shave been performing.





Fresh & Easy generated \$300 million during the past fiscal year, and lost \$200 million – though the *Los Angeles Times* notes that some experts believe that those losses can be absorbed by Tesco, which generated a total of \$87 billion in sales during the past year. Other experts say that they believe that Tesco's withdrawal from the US is inevitable.

The \$300 million in sales, divided by Fresh & Easy's current 119 stores, works out to about \$2.5 million per store for the year...or an average of about \$49,000 per week per store. Tesco also is saying that same-store sales at Fresh & Easy are up 30 percent over last year.

The *Times* reports, "When Fresh & Easy first opened, executives said the Trader Joe's-sized stores -- heavily dependent on house-brand goods and prepared foods -- would shake up the local supermarket scene. Originally, the stores carried about 3,500 products, barely 10% of what's found in a traditional grocery store. But after sales failed to meet initial expectations, the company has had to tweak the format, offering more discounts and promotions. Fresh & Easy also is adding larger package sizes and more selection in frozen foods and branded grocery items.

"The company doesn't plan to change the basic concept of a stripped-down grocery store that people can get in and out of quickly. It doesn't accept coupons or checks or offer a loyalty or club card program. All check-out is self-service."

And, the *Times* writes, Tesco seems intent on riding out the difficult times. It will open its 64th Southern California store today, and plans "to open stores at a pace of about one every two weeks this year."

Earth Day NewsBeat

- *USA Today* reports that "under pressure from consumers, environmental advocates and retailers, the companies that make more than 80% of plastic bags used by the nation's big retailers on Tuesday will announce plans to make the plastic bags from 40% recycled content by 2015 ... The move comes as some cities are outlawing the bags and trend-setting retailers, including Whole Foods and Trader Joe's, have dropped them. Plastic bags, which take hundreds of years to degrade, are regarded by many consumers as eyesores, threats to wildlife and wasteful. The \$1 billion industry makes about 90 billion plastic bags annually in the USA alone."

And, the paper reports, "with this move to ramp-up plastic bag recycling, some 463 million pounds of greenhouse gas emissions and 300 million pounds of waste will be cut annually."

- Whole Foods Market yesterday announced "a comprehensive energy commitment that more than triples the number of stores with solar panels, extending its commitment to offset 100 percent of its use of non-renewable electricity with wind energy, and investing in energy reduction opportunities while retrofitting existing stores with energy efficient lighting, equipment and mechanical components.

According to the announcement, "Whole Foods Market recently contracted to add solar to more than 20 locations; including existing installations, solar will be brought to the rooftops of more than 30 of the Company's stores nationwide ... Whole Foods Market hopes to have close to 70 total locations with rooftop solar panels, close to one fourth of the Company's total number of stores."

- To celebrate Earth Day, Save Mart and Lucky stores in Northern California and Northern Nevada announced that they are partnering with Tropicana to give away three reusable shopping bags with every purchase of a 128-oz. bottle of Tropicana Pure Premium orange juice. The giveaway will start on Earth Day, Wednesday, 4/22 and continue through Tuesday, 4/28. Up to 80,000 reusable bags are expected to be distributed.

Shoppers are able to save five cents on their orders for every reusable bag they bring into the store.



Carrefour To Launch New Discount Private Brand

France-based Carrefour said this morning that it plans to roll out a new, 200-SKU, discount private label line called, appropriately enough, "Carrefour Discount."

The line is being developed as a way of catering to France's cash strapped consumers affected by the global recession, and to compete more effectively with deep discounters. The company said that it expects to eventually double the size of the line, mostly in grocery but with some HBC products.

"Carrefour Discount" is initially slated to be rolled out in France and Belgium.

E-conomy Beat

- LonestarShopping.com, a new online grocery shopping model, has launched in Houston, Texas.

According to an announcement by the company, the new service is not a traditional online supermarket, but is more of a personal shopping service: "LonestarShopping.com boasts an online shopping cart of over 10,000 products, with shoppers that live near you ready to go shop at your local HEB. Or, if you want them to go to a different store like Whole Foods you can just type your list in from scratch and tell the shopper/driver to go get it."

Sansolo Speaks: Wrong War, Wrong Store?

by Michael Sansolo

Traveling around the country as I do, I sometimes get to encounter the most wonderful people. I can add Tom Glynn to that list.

Mr. Glynn, a man deep in his 80s, visited with me after a recent speech and gave me a few minutes I won't soon forget. He shared with me memories of his long life including a fabulous tale about World War II. Mr. Glynn was one of the first American troops to reach Guadalcanal in the War against the Japanese. His story reminded me of how miraculous it was that the US won that war.

On Guadalcanal Mr. Glynn learned some hard lessons about the lack of preparation for war. The early soldiers in WWII had weapons perfect for fighting World War I. His company was trained in the desert, useless training in the tropical south Pacific. In the hot, humid climate uniforms actually disintegrated, communications systems failed repeatedly and the food rations were a horror. Worst of all, the US troops had no understanding of the army they were fighting and had to learn quickly to adapt.

In short, they were the typical army; fighting the last war rather than the one they faced.

Seems to me it's a pretty good lesson to remember in the current economic storm. If history has taught us anything it is that competitive response to changing economic conditions is usually shockingly different than the norm. That's probably the reason why the supermarket itself was born in the Great Depression or why Walmart was able to explode into the food industry so successfully during the recession of the early 1990s.

The question is, what's next? The truth, and this is something shocking to write in a column is: I have no earthly idea. I don't think I'm alone.

Yesterday I visited a store I thought would be the answer and walked away stunned in disappointment. The store is Walmart's new Marketside format and honestly I expected this column to detail how the guys in Bentonville had managed to right every wrong we've witnessed at Tesco's Fresh & Easy. I say the following in full knowledge that everyone at Walmart has forgotten more about retail than I will ever know. But here it goes:



Marketside isn't ready for prime time.

Sure, the store is nicely done. The presentation of perishables blows Fresh & Easy away. Shelving is interesting, employees (the four or five present) are engaging and the décor is pleasing. The product mix is significantly larger than Fresh & Easy, which gives the store a level of completeness and one-stop shopping appeal. And that's where the praise ends. Beyond that, well, I'm stunned.

There are simple issues that cry out for attention. For instance, the pricing is pretty good on many key items. But there is nothing in the window signage that would suggest this fact. Of course, there is nothing in the outdoor signage that would suggest that Marketside actually sells food. A shopper has to get really close to figure that out.

There's also nothing to indicate a tie to Walmart—a company that spends countless ad dollars reinforcing a reputation for “always low prices.” Why not? It seems to me a great opportunity exists for cross-merchandising of “Marketside” products in all Walmart stores in much the way Publix cleverly features its Greenwise natural brand in all of its stores. Instead it makes you wonder if Walmart is hiding from Marketside somehow.

It's hard for the story to get worse, but it does. Granted a Monday afternoon visit to two stores tells you almost nothing, except for this: In one store, an employee confided in me that the better Marketside was down the road. Sadly, I had just come from that other store first, where I was one of two “shoppers.” And a deliveryman in that store told me his main job is pulling expired product.

It got me thinking of the metaphor of fighting the last war and a recent shocking news story out of Washington. Defense Secretary Robert Gates proposed cutting the budget for the F-22 fighter for a simple reason. Though it is a great plane, the military has yet to use it for a single mission in Iraq or Afghanistan. In short, it's a plane for the Cold War.

Maybe there is something worse than fighting the last war and that is fighting the wrong war. It seems almost impossible that Tesco and Walmart, two of the world's greatest retailers, would be doing that in Arizona.

But the impossible frequently happens.

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

Bezos On Amazon's Business Strategy: Conviction & Consistency

Want to know why Amazon.com continues to thrive? Check out excerpts from CEO Jeff Bezos' annual letter to shareholders:

- “In this turbulent global economy, our fundamental approach remains the same. Stay heads down, focused on the long term and obsessed over customers. Long-term thinking levers our existing abilities and lets us do new things we couldn't otherwise contemplate. It supports the failure and iteration required for invention, and it frees us to pioneer in unexplored spaces. Seek instant gratification – or the elusive promise of it – and chances are you'll find a crowd there ahead of you. Long-term orientation interacts well with customer obsession. If we can identify a customer need and if we can further develop conviction that that need is meaningful and durable, our approach permits us to work patiently for multiple years to deliver a solution.”
- “In our retail business, we have strong conviction that customers value low prices, vast selection, and fast, convenient delivery and that these needs will remain stable over time. It is difficult for us to imagine that ten years from now, customers will want higher prices, less selection, or slower delivery. Our belief in the durability of these pillars is what gives us the confidence required to invest in strengthening them. We know that the energy we put in now will continue to pay dividends well into the future.

“Our pricing objective is to earn customer trust, not to optimize short-term profit dollars. We take it as an article of faith that pricing in this manner is the best way to grow our aggregate profit dollars over the long term. We may make less per item, but by consistently earning trust we will sell many more items.”



• “The customer-experience path we've chosen requires us to have an efficient cost structure. The good news for shareowners is that we see much opportunity for improvement in that regard. Everywhere we look (and we all look), we find what experienced Japanese manufacturers would call ‘muda’ or waste. I find this incredibly energizing. I see it as potential – years and years of variable and fixed productivity gains and more efficient, higher velocity, more flexible capital expenditures.”

In New Fortune 500, Walmart Slips To Number Two

Fortune is out with its annual list of the nation's 500 top publicly traded companies, and Walmart is in second place this year with \$405.6 billion in revenue, despite having been in the number one position for six out of the last seven years.

Retaking the top spot: Exxon Mobil, with \$442.8 billion in revenue.

Among the other top performing retailing and food industry companies on the new list are:

- CVS/Caremark, # 19, \$87.5 billion in 2008 revenue.
- Procter & Gamble, # 20, \$83.5 billion.
- Kroger, # 22, \$76 billion.
- Costco, # 24, \$72.5 billion.
- Target, # 28, \$65 billion.
- Johnson & Johnson, # 29, \$63.7 billion.
- Walgreen, # 36, \$59 billion.
- Safeway, # 50, \$44.1 billion.
- Supervalu, # 51, \$44 billion.
- PepsiCo, # 52, \$43.3 billion.
- Kraft Foods, # 53, \$42.9 billion.
- Coca-Cola, # 73, \$31.9 billion.
- Tyson Foods, # 89, \$28.1 billion.
- Rite-Aid, # 100, \$24.4 billion.
- Publix Super Markets, # 101, \$24.1 billion.
- McDonald's, # 107, \$23.5 billion.
- Amazon.com, # 130, \$19.2 billion.

FastNewsBeat

• The *New York Times* reports that in a meeting with major credit card company officials yesterday, President Barack Obama said that he will support legislation that would restrict the companies' ability to impose higher fees and interest rates on shoppers – legislation that is likely to be fast-tracked through the Congress though the Senate is likely to be a harder sell than the House of Representatives.

President Obama also reportedly called on the companies to communicate with consumers in a clearer, more transparent fashion.

• Associated Grocers of New England has reached an agreement to acquire Manchester Wholesale Distributors. Terms of the deal were not disclosed.



The MNB Wal-Mart Watch

- The *Chicago Tribune* reports that Mayor Richard Daley believes that political opposition on the City Council and from labor unions is sufficient to block Walmart from opening a store on the city's South Side, even though he also believes that such a store would generate needed sales tax revenue and local jobs for neighborhood residents.

- Walmart said yesterday that it has "expanded its business with minority- and women-owned companies by more than 25 percent in 2008, according to recently verified figures. In the midst of a struggling economy, where businesses across the country have been forced to close or drastically reduce capacity and workforce, Wal-Mart increased its combined direct and second tier spend to more than \$8.1 billion with minority- and women-owned businesses.

"In 2008, Wal-Mart's direct spend with minority- and women-owned businesses was more than \$6 billion, with second-tier spending totaling more than \$2 billion. Second tier spend is an accounting of suppliers that subcontract with prime suppliers on Wal-Mart business. Wal-Mart's spend numbers are verified by CVM Solutions, a third-party enterprise supplier management company. Wal-Mart's direct spend with diverse suppliers was more than \$4.8 billion in 2007, totaling more than \$6 billion when accounting for second-tier spend. The nearly \$2 billion overall increase in the 2008 total is a reflection of the company's commitment to diversity, its customers and local communities."

- Interesting piece in the *Times* of London about Walmart's environmental initiatives: "By 2025 it wants to eliminate all waste by reducing, recycling or reusing everything that comes into its 4,100 American stores. For Asda, its British operation, the target is 2010."

However, despite all the strides made by Walmart, its critics remain steadfast in their skepticism. Eric Bull of Walmart Watch, for example, tells the *Times*, "Walmart's customers drive to these huge stores to buy goods that have been shipped from China in leaky ships – it's not a green business ... I'm not saying what they are doing isn't good, but we should be clear about exactly what Walmart does get the credit for."

Walmart remains convinced that it has been very clear about its motivations – that a green approach to business is good for the bottom line.

- *Agence France Presse* reports that Walmart's plans to restructure its Chinese business and eliminate some positions in an effort to bolster profitability have been blocked – by Chinese labor unions.

China, ironically, is the only one of Walmart's markets where it allows labor unions to operate...and it only did so under pressure from the Chinese government.

- *Dow Jones* reports that Walmart's former president/CEO, David Glass, has decided not to seek re-election to the company's board of directors when his term ends this June.

Glass joined Walmart in 1976, and became president/CEO in 1988, stepping down from that role in 2000. He has been on the board since 1977.

The Balance Sheet

- Supervalu yesterday reported a \$201 million fourth quarter loss, down from a profit of \$156 million during the same period a year ago. Q4 sales increased four percent from a year earlier to \$10.82 billion, on same-store sales that were off two percent.

Supervalu also reported full-year net sales of \$44.6 billion and a net loss of \$2.9 billion.

- Amazon.com reported that its first quarter profit was up 24 percent to \$177 million, from \$143 million during the same period a year ago. Q1 sales were up 18 percent to \$4.89 billion.

- Penn Traffic said that it lost \$17.6 million last year, a marked improvement over the previous fiscal year, during which it lost almost \$42 million. Annual revenue was \$872.3 million, down from \$895.9 million a year ago.





Executive Suite

- The Board of Governors for GS1 US, Inc., announced it has elected Robert W. Carpenter as the not-for-profit organization's new chief executive officer, effective May 10. GS1 US, one of 108 country-based affiliates of GS1, a global standards organization, helps businesses adopt and implement standards-based, global supply-chain solutions. Miguel Lopera, who has been serving as the CEO of GS1 US since 2004 while simultaneously serving as CEO of Brussels-based GS1, will dedicate his focus to the global role.

Carpenter comes to GS1 US from ARAMARK Corporation, where he was senior vice president of Business and Strategic Development for ARAMARK International.