



*-Week Ending 5/8/09-*

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Thanks to MNB  
for this selection of  
articles.

## Shopping List Becomes More Important, More Modern

The *Wall Street Journal* reports that "the old-fashioned list is getting a boost from new technology. While plenty of people still scratch lists on envelopes, napkins and wrappings from the morning's doughnut, a growing abundance of online shopping-list services is changing the way shoppers plan their outings.

"The online lists, launched in recent years by grocery chains and independent companies, can be accessed through all types of media, including messaging services and smart phones. The features include links to online coupons and auto-suggest features based on items listed in the past."

## Strong Growth For Organics Even In Midst Of Recession

The Organic Trade Association (OTA) is out with its 2009 Organic Industry Survey, saying that "US sales of organic products, both food and non-food, reached \$24.6 billion by the end of 2008, growing an impressive 17.1 percent over 2007 sales despite tough economic times ... Results show organic food sales grew in 2008 by 15.8 percent to reach \$22.9 billion, while organic non-food sales grew by an astounding 39.4 percent to reach \$1.648 billion. As a result, organic food sales now account for approximately 3.5 percent of all food product sales in the United States."

## Amazon Invests In Online Cooking Encyclopedia

Here's an interesting little tidbit from Seattle...Amazon.com reportedly has helped to raise more than a half-million dollars in funding for a website called "Foodista.com," which is described as "a collaborative project to build the world's largest, highest quality cooking encyclopedia."





According to the Foodista site, it is designed to organize cooking information into recipes, kinds of foods, preparation methods, and kitchen tools, and make it easy for chefs of all kinds of find relevant and useful information.

Foodista reportedly was launched late last year by two Amazon veterans, Barnaby Dorfman and Sheri Wetherell.

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

- There are numerous published reports about how Tesco is investing the equivalent of more than \$200 million (US) in a "relaunch" of its Clubcard loyalty program, hoping to attract one million new customers to the chain at a time when its market share numbers are slipping and Sainsbury, Asda and William Morrison Supermarkets seem to be picking up steam.

According to the stories, the relaunch will provide greater benefits to the some 15 million people in the UK who already have Tesco Clubcards, in some cases doubling the amount of money available on vouchers that can be used in the retailer's stores as well as on certain airlines, restaurants and amusement parks.

## **Supervalu Shops Retail For New CEO**

Supervalu Inc. announced yesterday that it has hired Craig Herkert, 49, who has been running Walmart's Western Hemisphere operations outside the US, to be its new CEO, succeeding Jeff Noddle, 62, who has been in the job since 2001.

Noddle will remain as chairman for the time being, leading the company's strategic efforts as the transition to the Herkert regime begins.

Previous to joining Walmart in 2000, Herkert worked for Albertsons, many of the assets of which Supervalu acquired in 2006.

Lawrence Del Santo, Supervalu's lead director, said that Herkert's "recent experience leading diverse formats in some of Wal-Mart's fastest-growing markets, combined with his previous experience working at Jewel-Osco, Acme Markets and Albertsons, make Craig the ideal executive to lead the company forward."

The *Wall Street Journal* this morning suggests that there could be one possible wrinkle in Herkert's move to Supervalu – a non-compete clause in his Walmart contract. The *Journal* writes: "Supervalu ... may have to deal with a Wal-Mart noncompete agreement, which typically prevents the company's top executives from joining a specific list of rivals for at least a year, one grocery-industry recruiter said. Supervalu, the third largest U.S. food retailer by sales, is a Wal-Mart competitor. A Wal-Mart spokesman declined to comment about Mr. Herkert's noncompete agreement.

"Supervalu wouldn't comment whether or not Mr. Herkert has a noncompete clause with Wal-Mart. However, Mr. Herkert will start during the company's fiscal first quarter, which began March 1, a company spokeswoman said."

The *Journal* also speculates that Herkert may be leaving Walmart because his path to the top of the company was effectively blocked, and that he had few other options within the Walmart bureaucracy. For example, when Doug McMillon recently became head of Wal-Mart's international division, the company went outside its own management team and brought in Brian Cornell, of the Michaels crafts chain and formerly of Safeway, to take McMillon's old job running Sam's Club.



## Safeway Expands Reach Of Its Private Brands

The *Wall Street Journal* reports this morning that it has reached new agreements to sell two of its private brands – O Organics and Eating Right – outside its own stores.

Albertsons LLC reportedly will begin selling O Organics in 240 of its stores, while both lines will be sold at 150 ShopRite stores in South Africa and 100 Exito supermarkets in Colombia.

Three regional grocers in the US -- Big Y Supermarkets, Price Chopper and Hy-Vee – already have signed deals to sell the Eating Right line.

The expansion of the two lines is seen as a way for Safeway to broaden its portfolio, expanding on a strategy that already has it selling retail gift cards through its Blackhawk subsidiary in a wide variety of stores and formats. And, the move gives non-competing retailers a way of quickly rolling out a private brand that gives them a differentiated position in their own markets.

## Even In Recession, Retailers Remain “Bullish” About Internet

The 12th annual Shop.org “State of Online Retailing” study is out, revealing that “while Internet sales continue to outpace traditional retail sales, companies are realistic about current challenges. According to the survey, half of respondents (54%) expect overall retail growth to slow during the next 12 months and 57 percent acknowledge the economic slowdown is hurting their company’s bottom line. That said, companies are bullish about web operations: four out of five retailers think the web is better suited than other channels to withstand the recession and one-third say the downturn has enabled them to capture greater market share. Illustrating the resilience of the web, retailers report that their conversion rates continue to hover between 3 percent and 3.5 percent as they have for years.”

Among the other numbers being cited by the study:

- “Under pressure from the economy, nearly one-third of companies (30%) are spending less than originally planned on web retail operations this year. Among retailers cutting costs, most (88%) will scale back hiring and staffing plans and slightly more than half (56%) will spend less on search.”
- “Almost half of retailers surveyed (46%) have no plans to cut back original budgets and will spend as planned on their web business, while one in four retailers (24%) will spend more on their online business than originally planned. Companies planning to spend more will increase investments in several areas, including search (80% of respondents), email (65%), and social marketing (60%).”
- “A majority of retailers (88%) list email as a high priority for the year, largely to retain customers. Almost three-fourths of retailers (71%) plan to send segmented emails to customers based on stated preferences or purchase data. In addition, more than half will use emails that highlight new product availability (55%), extend invitations to participate in surveys or garner customer feedback (55%), and feature online-only promotions (53%).”

The Shop.org study was conducted by Forrester Research.



## *Sansolo Speaks: Why The Show Must Go On*

*by Michael Sansolo*

Like me, you may remember times back in school when you were not completely ready for a test and the fates magically interfered. There would be an unexpected snow storm or a teacher would call in sick and suddenly we had a reprieve. It was temporary, was rarely used properly, but boy, we enjoyed it.

A reprieve is what faces us in industry today. Despite my huge bias (and long hours spent on) the now-delayed Food Marketing Institute (FMI) Future Connect conference – which was postponed last week because of concerns about the swine flu – I understand that most of the world didn't see this as a life-changing moment. Too bad.

The delay in the event isn't a reprieve. (Despite what one *MNB* letter writer suggested yesterday, this event was ready to go and the value would have been surprisingly strong.) Rather, the reprieve is the sudden lack of urgency on the problem of future leadership. Simply put, swine flu and the weak economy are not making the problem of future leadership go away. Just like that test at school, the reason for Future Connect is still coming.

Future Connect was planned to combat a very significant problem in two different ways. The problem is this: the enormous Baby Boom generation is still moving at warp speed toward the end of its working life, even if 401ks are now affectionately known as 201ks. The problem is documented throughout the economy and in nearly every industrialized nation.

Making matters worse, the enormous size of this generation - my generation – means that Boomers have a stranglehold on management positions. In the food industry that extends from the executive suite down to store level in many companies. So when Boomers start retiring in record numbers (we do everything in record numbers) the management drain will be incredible.

Future Connect aimed to address this two ways: First, to get younger people in the industry excited and educated about their jobs, possibly making them more willing to stay longer. But second, and more importantly, to help today's managers understand the diversity and complexity of the younger generations they need to attract and retain.

And that takes me back to our discussion in this space last week about E.F. Hutton, a brokerage firm that is indelibly placed in some of our minds and completely unknown in others. (Oh, the power of a great advertisement strikes again.) We have to remind ourselves constantly that the experiences that shape our lives are very different from those that shape our co-workers, our underlings and even our bosses. Those differences impact our communication, our listening style, our work style...well, pretty much everything.

Like it or not, we live in the age of Twitter, texting and Facebook; American Idol and the Jonas Brothers; Al-Qaeda and Hugo Chavez; and broken American car companies, banks and more. Yes, the young generation produced two idiots jamming pizza cheese up their noses on YouTube, but it has already produced people like Mark Zuckerberg who created Facebook while in college and now has 200 million passionate followers. (Boomers should remember - we produced disco and streaking along with Bill Gates, Steve Jobs and Yo-Yo Ma.)

We live in a time where lots of people speak different languages and when job hopping is no longer seen as negative. In short, it's an era of complexity. You can get mad at it or learn to deal; I'm hoping you choose the latter.



So yes, Future Connect was delayed because of the swine flu (an absolutely correct call, by the way.) But the clock is still ticking on Boomer retirements, which means the problem - and the need for action - still linger. Are you going to start studying or pull the covers back over your head?

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## Meijer Adopts NuVal Nutritional Labeling System

Michigan-based Meijer has begun posting nutritional information for 8,000 products in its 187 stores, using the NuVal Nutritional Scoring System that rates products on a scale of 1-100.

According to the *Journal Gazette*, the scores have been determined "by independent nutrition scientists who evaluate foods for more than 30 nutritional factors, including the amount of vitamins, minerals, fiber, sugar, salt and saturated fat." The products currently being rated fall into 15 food categories, and the retailer reportedly plans to expand the system to other segments of the store.

According to the NuVal website, the system "summarizes the overall nutritional value of food," and "uses the Institute of Medicine's Dietary Reference Intakes (quantitative reference values for recommended intakes of nutrients) and the Dietary Guidelines For Americans (advice from the Department of Health and Human Services, HHS, and the Department of Agriculture, USDA, about how good dietary habits can promote health and reduce risk for major chronic diseases) to quantify the presence of more than 30 nutrients – including vitamins, minerals, fiber, and antioxidants; sugar, salt, trans fat, saturated fat, and cholesterol. The system also incorporates measures for the quality of protein, fat, and carbohydrates, as well as calories and omega-3 fats. The NuVal System also takes into account how these nutrients influence health based on broadly accepted, published scientific literature."

The NuVal system is different from the Guiding Stars program developed and being licensed by Delhaize USA in that the latter approach rates all products but only gives one, two or three stars to products that qualify as good, better and best. NuVal already is being used by Hy-Vee and Price Chopper.

## Happy Feet At Hy-Vee

Here's a great little marketing story...

The *Maryville Daily Forum* in Missouri reports that the Hy-Vee there has started a free walking club that encourages shoppers to get together for long walks that can contribute to a greater feeling of health.

The club is the brainchild of store dietitian Deanna Bottorff, who will be leading the walks ... and using the concept to spread the word that Hy-Vee is able to take an active role in helping people live a healthier lifestyle.



## Walmart Launches New "Supermercado" Format

The *Houston Chronicle* reports on the opening of Walmart's new "Supermercado" store in the city, described as a aggressive effort to reach out to Hispanic shoppers with a themed supermarket format. Walmart also plans to open a "Mas Club," which in essence is a Hispanic-themed Sam's Club store.

Walmart says that it is bringing experience to the market from its Latin America operations.

"I think this is a natural evolution of what we've been doing for years," Jose Antonio Fernandez, Walmart's vice president of business development, tells the *Chronicle*.

## FastNewsBeat

- Confirming reports that began circulating earlier this week, Carrefour has signed a letter of agreement to acquire 75 percent of the Russian supermarket chain Sedmoi Kontinent (Seventh Continent). The precise terms of the buyout are still to be negotiated.
- Sprouts Farmers Market announced a new college and vocational school scholarship program to provide assistance to Sprouts employees and their families.

The Henry Boney Memorial Scholarship Program – named after the late patriarch of Sprouts' founding family – will award up to 17 \$2,000 scholarships to qualified applicants each year based on their academic record, track record of participation in school and community activities, and financial need. The initial application deadline is May 30th and the first grants will be awarded for the 2009-2010 academic year.

- The National Association of Convenience Stores (NACS) said yesterday that its NACStech conference, scheduled for May 18-20 in Dallas, will take place as planned, though it continues to monitor the swine flu situation and "will provide updates if there are changes."

The Food Marketing Institute (FMI) postponed its Future Connect conference, originally scheduled for Dallas this week, because of swine flu concerns.

- The Food Marketing Institute (FMI) Future Connect meeting may have been postponed, but not the election of its new board of directors, which will be headed for the next two years by Hy-Vee CEO Ric Jurgens, who will serve as chairman of the board.

Steven C. Smith, president and CEO of K-VA-T Food Stores, Inc., will serve as immediate past chairman.

Elected as FMI vice chairmen to the board are Gregory Calhoun, president and CEO of Calhoun Food Markets, Inc., Montgomery, AL, who will serve as chairman of the public affairs committee; William Coyne, president and CEO of Raley's Family of Fine Stores, Sacramento, CA, who will serve as chairman of the finance committee; Ed Crenshaw, chief executive officer of Publix Super Markets, Inc., Lakeland, FL, who will serve as chairman of industry relations committee; and Dave Skogen, owner and chairman of the board of Festival Foods, Onalaska, WI, who will serve as chairman of the member services committee.

Four new members were elected to the FMI board: Mark Batenic, chairman, president and CEO, IGA Inc., Chicago, IL; Rudy Dory, owner, Rudy's Markets, Inc., Bend, OR; Jerry Garland, president and CEO, Associated Wholesale Grocers Inc., Kansas City, KS; and Dean Peterson, president and CEO, Harmon City, Inc., West Valley City, UT.





## The MNB Wal-Mart Watch

- Walmart is being sued by the US Equal Employment Opportunity Commission (EEOC), which charges that a Fresno Sam's Club store discriminated against some Hispanic employees. The EEOC says that some Mexican employees were subjected to verbal harassment related to their ethnicity, and is looking for compensatory and punitive damages; the EEOC also said that it is open to settling the case.
- Yesterday, *MNB* reported that Walmart agreed to pay "an unspecified sum" to the victims and relatives of victims hurt in a "Black Friday" stampede of shoppers at a Long Island store. That stampede, the day after Thanksgiving that serves as the traditional first shopping day of the holiday season, killed one security guard when 2,000 shoppers broke through a door at the store as it was about to open. Walmart also has agreed to make ongoing security and safety improvements to its stores on Long Island as part of the negotiated agreement.

Now, *Newsday* reports that the "unspecified sum" is actually almost \$2 million, and that fine will help the retailer avoid criminal charges in the case.

However, Walmart isn't completely off the hook. The family of the man trampled by the crowd has announced that it plans to sue.

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There are reports that a grand jury has been empanelled in the case, which would indicate that criminal charges remain possible.

- *Bloomberg* reports that Walmart has begun testing a new prescription drug program in Michigan, providing free mail order delivery and offering "a toll-free telephone number to order more than 3,300 prescriptions, including a 90-day supply of 300 generic medicines for \$10 each."
- Walmart reportedly is testing a trio of convenience stores in China, experimenting with a new format that will allow it to increase its presence in one of the world's fastest growing markets. The name of the c-store format: "Smart Choice."



## The Balance Sheet

- CVS Caremark reported first quarter earnings of \$738.4 million, down from \$745 million during the same period a year earlier. Q1 total revenue was up 10 percent to \$23.39 billion from \$21.33 billion a year ago, and the company's retail business saw its sales go up 13.9 percent to reach \$13.5 billion in revenue, on same-store sales that were up 3.3 percent.
- Walmart reports this morning that its April sales rose 2.4 percent to \$29.853 billion, on same-store sales that were up five percent.
- Royal Ahold said that its total first quarter sales were up 15.2 percent to the equivalent of \$11.7 billion (US), with sales at its Stop & Shop and Giant-Landover chains in the US up 3.6 percent to \$5.32 billion from \$5.14 billion a year earlier.
- Costco Wholesale reported that its April sales were down six percent to \$5.18 billion, on same-stores sales that were down seven percent in the US and down eight percent internationally.
- Nash Finch said that its first quarter net income was \$14.4 million, up 36 percent from \$10.6 million in the same period a year earlier. Sales grew 14 percent to \$1.14 billion from \$1 billion, on same-store sales that were up 3.2 percent.
- Rite Aid said that its April sales were flat at \$2.003 billion, compared to the same period a year ago; same-store sales were up 1.8 percent.
- Walgreen Co. said that its April sales rose 11.1 percent to \$5.4 billion, on same-store sales that were up 5.7 percent.
- Publix Super Markets said that its first quarter net earnings were \$321.5 million, down 6.3 percent compared to the same period a year earlier. Q1 sales were down 2.2 percent to \$6.4 billion, on same-store sales that were down 2.8 percent.

## Executive Suite

- Walmart announced that Rick Bendel, chief marketing officer for its Asda Group, has been named international chief marketing officer for the parent company. He will continue to work out of Asda's offices in the UK.
- Price Chopper Supermarkets/Golub Corporation announced that Dan Koch, its Vice President of Bakery, has been promoted to the position of Vice President, Deli/Food Service.