

- Retail Industry News from IRI for Week Ending 5/23/08-

Below is the list of articles you will find for the week ending 5/23/08 edition of Retail Industry News.

- ▶ HEB Embraces New Pricing Strategy
- ▶ Kroger Expands Fuel Discount Program
- ▶ P&G's "Sustainable Innovation" Philosophy
- ▶ Own-Label Product Sales Growing
- ▶ Study Projects Mass Pharmacy Closings
- ▶ Sansolo Speaks: Old Brands in New Bottles
- ▶ CVS, Google Team On Health Care Management System
- ▶ More On Safeway's Small-Store Format
- ▶ FastNewsBeat
- ▶ The MNB Wal-Mart Watch
- ▶ The Balance Sheet
- ▶ Executive Suite



Thanks to MNB
for this selection of
articles.

HEB Embraces New Pricing Strategy

The *Houston Business Journal* reports that HE Butt is engaging in a new multi-tiered price promotion campaign, "which includes lowering thousands of prices, increasing the value of weekly promotions and helping customers make affordable choices when shopping."

According to Scott McClelland, president of H-E-B Houston, the campaign is linked to the fact that "our customers are telling us that the changing economy and price increase on commodity items is affecting them."

The story notes that "in addition to new lower prices, customers can take advantage of money-saving opportunities and free items at H-E-B through special offerings including new coupons, five-items-for-\$5 promotions, Meal Deals and My H-E-B Rx Rewards."

Kroger Expands Fuel Discount Program

CNN reports that Kroger has decided to expand its fuel discount program chain-wide, which gives shoppers 10 cents off per gallon for every \$100 they spend inside a Kroger supermarket. Previously, *CNN* notes, "the programs weren't carried over between regions, so a vacationing shopper at a Kroger-owned Ralphs store in California didn't previously get the spending credit for the discount back home in Cincinnati."

P&G's "Sustainable Innovation" Philosophy

BrandWeek has an interview with Procter & Gamble's vice president of sustainability, Len Sauers, about how the company's green philosophy lines up with consumer priorities. Excerpts:

- "Consumer research has shown that there is a very small niche of consumers (~5-10%), who are willing to accept some trade-off (e.g. higher cost, lesser performance) in order to purchase a product that claims environmental benefits. The vast majority of consumers (~50-75%) feel environmental issues are important, but are not willing to accept such trade-offs. However they will choose a product that claims environmental benefits if it meets all their other needs: performance, value, cost, etc. The rest of consumers seem indifferent to these issues at this time. It is hard to judge how these numbers will change into the future. They have remained relatively constant over the past couple of years, even with increased public attention paid to these issues."

- "P&G believes we can make the greatest contribution to environmental sustainability by developing 'sustainable innovation products.' These are products for which there has been a meaningful improvement in the environmental profile of the product relative to current products, but for which there are no trade-offs. The consumer gets it all—all the performance and value she expects and an ability to be environmentally sustainable. In this way, we are able to bring sustainability to the mainstream consumer."
- "Wal-Mart's approach of minimizing nonvalue added packaging, while demanding the same level of package performance, is very consistent with P&G's 'No Trade-Offs' approach to packaging sustainability. Overall, the costs have been relatively neutral; in fact, there have been several instances where we have both reduced costs and provided a more sustainable package to the consumer."

Own-Label Product Sales Growing

The *Wall Street Journal* reports that "as consumers cut back on spending, grocery-store data and analyst research have begun to indicate that private-label products are gaining market share in the packaged-food industry. Inroads by private label goods -- which are cheaper store-named or generic products -- are generally a cause for concern for branded consumer product companies, because they eat into their sales and brand positions."

Study Projects Mass Pharmacy Closings

A report jointly issued by the National Association of Chain Drug Stores (NACDS) and the Food Marketing Institute (FMI) says that "an economic impact study of the Deficit Reduction Act (DRA) of 2005 finds that 11,105 pharmacies across the country could close due to reductions in the Medicaid reimbursement rate, well below their cost to fill prescriptions. These pharmacies generate more than 300,000 jobs and \$31.1 billion throughout the nation's economy."

And, the report says, "To the extent that pharmacy closures simply redirect patients to other pharmacies, the net impacts would be smaller. However, this offers little hope to pharmacies in rural areas and urban neighborhoods with large Medicaid populations since these areas would be unlikely to sustain their businesses and maintain pharmacy access. The loss of pharmacies for these Medicaid participants would adversely affect their health, according to NACDS and FMI."

Sansolo Speaks: Old Brands in New Bottles

by Michael Sansolo

Like so many other Baby Boomers, I'm burdened with the memories of years of pop culture that I couldn't shake if I tried. For instance, I still remember the words to the theme songs for *The Beverly Hillbillies*, *Gilligan's Island* and *Secret Agent*, among many others.

Likewise I remember key commercials, such as the 12 ways Wonder Bread built stronger bodies. But every now and again my memory shocks me.

For instance, though I have never been a coffee drinker do I remember to "fill it to the rim, with Brim," a brand that disappeared years ago. Yet, I'm not alone. An article this past weekend in *The New York Times Magazine* studied companies that resurrect supposedly defunct brands like Brim, Eagle Snacks or Underalls (the last of which, by the way, was also the name of a character in "Caddyshack," but I digress.)

Resurrecting the brands though isn't the only story. What companies are finding is that the memories we have of these brands and commercials aren't always correct, which creates incredible marketing opportunities. For instance, when asked why they would "fill it to the rim" with Brim, most people thought it was a reference to the taste of the coffee product. In truth, it was to sell the de-caffeinated attributes of the coffee.

The need to resurrect a dead brand came across loudly during the recent Food Marketing Institute (FMI) convention and had nothing to do with the struggles of the meeting itself. Rather it was in a session on "new ways of working together," which featured suppliers and retailers talking about ways to gain significant improvements by addressing issues jointly. The paths discussed included better alignment of staff on both sides, better sharing of data and better joint understanding of

goals, problems and strategies.

As one *MNB* reader astutely pointed out, it sounds suspiciously like ECR rising from the grave. Well, maybe that's a good thing.

ECR - Efficient Consumer Response - was an incredible industry wide project aimed at driving waste and inefficiency out of the system. It resulted in nearly 40 reports, meetings galore and whole new energy behind industry initiatives from just-in-time deliveries to category management. What's more, the project didn't contain itself to a single channel of retail. It spread easily to other channels and even other continents (and in fact, continues quite well in other parts of the world.)

And somehow it also became a dirty word, which was a mistake. While ECR didn't fully achieve its mission (just ask yourself if there are any inefficiencies left in your company or supply chain) it did make a difference in many ways. Industry dialog changed for a brief period as the emphasis moved to cooperation and mutual problem solving.

Only the project ran out of steam well before the issues stopped coming.

Think of how valuable a joint industry forum would be today for dealing with sustainability and efforts to reduce packaging, water, fuel and truck use; or food safety and the many problems that move throughout the supply chain; or the coming labor shortage and how companies can work together to eliminate jobs that cannot be filled; or health and wellness and how to better communicate with and serve the shopper; or battling organized retail crime across companies and channels. And that's just for starters.

The bottom line is that ECR was never about technology or supply chain alone. It was about finding a way to work on continuous improvement, an issue that all of retail has a stake in supporting today, tomorrow and deep into the future.

As James Bond once taught us, you only live twice. Maybe the brand of widespread industry cooperation could stand another shot.

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CVS, Google Team On Health Care Management System

CVS Caremark has announced a partnership with Google Health, a new product launched by Google, which is designed to allow users "to securely store, organize and manage their medical records and health care information online. This partnership will facilitate and enhance communications between consumers and health care providers by providing individuals with secure access to their medication history and personal health care information," according to a statement released by the companies.

The official release says that "by integrating on the Google Health platform, patients who receive treatment at MinuteClinic, the retail-based health clinic subsidiary of CVS Caremark, will be able to securely import their visit summaries into their Google Health Accounts." The program will roll out nationally to the more than 500 MinuteClinic locations in 25 states during the course of the next several weeks. In addition, within the next several months, consumers who fill their prescriptions at a CVS/pharmacy or have prescription coverage from CVS Caremark will also be able to securely import their prescription and medication histories into Google Health.

More On Safeway's Small-Store Format

The *Los Angeles Times* reported on Safeway's new small-store format over the weekend. Excerpts:

- "At the Market by Vons, which replaced a tiny and run-down traditional Vons in the Belmont Shore section of Long Beach, the message is upscale simplicity.

"Shoppers walk through a wood floor entry with an immediate view of stacked produce, a fresh bakery, a prepared-food counter, a selection of 1,000 wines and a Starbucks kiosk ... About 50% of the offerings are fresh produce, meats, cheese and prepared foods ... The store carries about 15% of the items a large supermarket might offer."

- "Safeway plans to open as many as four of the smaller markets over the next year to see how shoppers react. If the concept is successful, the chain is prepared to roll out as many as 50 per year."

FastNewsBeat

- *The Wall Street Journal* this morning reports that the US Commodity Futures Trading Commission is "investigating allegations that the nation's largest dairy cooperative, Dairy Farmers of America, has manipulated milk and cheese prices, and are separately reviewing a secret transfer of cash to a former director of the organization."

"The farmer-owned cooperative, which controls a third of the U.S. milk supply, also faces antitrust lawsuits by farmers and retailers alleging it conspired to suppress prices it paid for raw milk in the Southeast, while raising prices to the region's retailers. Such tactics could have the effect of boosting the co-op's profit as a middleman."

- *USA Today* reports this morning that JSM Meat Holdings, a Chicago company, is recalling a number of ground beef products from stores in 11 states because of concerns about E. coli contamination. According to the story, "The meat being recalled is used in ground beef products. Included are 30-pound and 60-pound boxes and 47-gallon barrels of "MORREALE MEAT" beef products. The products have the number "ET. 6872" inside the USDA mark of inspection."
- At the recent Specialty Coffee Association of America conference in Minnesota, Caribou Coffee took top honors for its Ethiopian Yirgacheffe coffee in the Roasters Choice competition. According to the company's description, Ethiopian Yirgacheffe is "a washed coffee, in which the coffee beans are soaked for up to 72 hours in fermentation tanks. Experts describe beans treated with this 'wet' method as having a higher acidity, a cleaner wine-like or floral flavor, and more body than beans processed by the dry method."

The MNB Wal-Mart Watch

- The *Times* of London reports that Wal-Mart owned Asda Group plans to get into the mortgage business by the end of the year, and is negotiating with three different companies to provide its customers access to discount home loans.

The decision would challenge Tesco's approach to the business, which used to be branded but now offers mortgages provided by an outside mortgage broker.

The Balance Sheet

- BJ's Wholesale Club said that its first quarter profit was up 26 percent to \$17.2 million, from \$13.7 million during the same period a year ago. Net sales, which exclude membership fee revenue, rose 12.3 percent to \$2.26 billion, with same-store sales that were up 9.6 percent. Membership fees and other revenue rose to \$47.5 million from \$46.9 million.
- Longs Drug Stores said that its first quarter profit was \$23.6 million, up from \$13 million during the same period a year ago. Q1 sales were \$1.4 billion, up from \$1.3 billion a year ago.

Executive Suite

- Modesto, California-based Save Mart Supermarkets announced that Steve Junqueiro, Executive Vice President, has been named the company's COO.

In addition, Mike Silveira, Senior Vice President of Human Resources and Law, has been named the company's Chief Administrative Officer (CAO). Steve Ackerman, Vice President of Finance, has been named acting CFO, assuming all the responsibilities of Ron Riesenback, Senior Vice President/CFO, who announced his retirement this week.

- The Grocery Manufacturers Association (GMA) has named Michelle Marcoot, the former Senior Director of Member Services at the Corporate Executive Board, as GMA's new Director of Supply Chain.

At the same time, of Jeanne Iglesias, who has led the activities of GMA's logistics, information technology, DSD and supply chain vanguard committees, has been promoted to Senior Director of Supply Chain and Technology.