

- Retail Industry News from IRI for Week Ending 5/30/08-

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Thanks to MNB
for this selection of
articles.

Economy Forcing Changes in How, Where People Shop

It isn't a surprising trend in view of the state of the national economy, but here are some numbers to confirm what most people have come to believe – increasing food costs are forcing consumers to make changes in how and where they shop.

New research for BIGresearch says that “Wal-Mart maintains a strong lead in the Groceries category among all adults nationwide (16% say they shop there most often) and is increasing competition for regional players.”

According to the study, “while shoppers in the Northeast head to Shoprite most often to stock their pantries, the grocer only saw a marginal increase in consumer share year over year (9.5% in May 07 to 10.1% in May 08), giving them a positive Consumer Equity Index™ (CEI)* of 106.29. #2 Stop ‘n Shop’s growth remained flat with a CEI of 99.09 while #3 Wal-Mart saw a substantial increase in share with an index of 126.40.”

(BIGresearch defines the “Consumer Equity Index” as measuring growth in share year over year...with 100 being flat. An index of 106.29, for example, indicates 6.29 percent growth, while an index of 126.40 indicates 26.4 percent growth.)

The study says that “Safeway tops the list for grocer shopped most often in the West; however, growth in consumer share remains flat with a CEI of 100.98. More shoppers are heading to second place Wal-Mart, evidenced in their positive CEI reading of 122.55. Wal-Mart maintains a commanding lead in the South as a quarter of all adults indicate they prefer to shop the big discounter for groceries. Wal-Mart also leads in the Midwest; 14.9% of shoppers who live there say the same ... it appears that consumers are consolidating shopping trips, possibly due to high gas prices, as Wal-Mart is gaining consumer share in the Prescription Drugs category as well.”

Fresh & Easy Reaches A Magic Number...Or At Least A Big One

Tesco's Fresh & Easy division in the western United States released the following press release yesterday:

“Fresh & Easy Neighborhood Market's Kitchen today produced its 3 millionth product, a 17 ounce package of fresh&easy Mashed Potatoes, which retails for \$1.99 and is made using only potatoes, milk, butter, cream, salt and pepper, without additives or preservatives. All fresh&easy products contain no added trans fats, no artificial colors or flavors and only use preservatives when absolutely necessary.

"Fresh & Easy recently announced plans to add over 250 new fresh&easy brand products to its stores over the next several months, based on positive customer feedback. Today Fresh & Easy will begin offering 23 of these new kitchen products in its stores, including Sheppard's Pie, Ratatouille, Meatloaf Dinner, Braised Beef and Chicken Breast Marcella. These recipes were developed by Fresh & Easy's own Chef, Mike Ainslie, who prior to joining the company worked with award-winning restaurants and hotels."

Fresh & Easy, which has 61 stores open in Southern California, Arizona and Nevada, currently is in what is being called a "time out," and does not plan to open another new store until July 2, when it will unveil a new store in Manhattan Beach, California.

Kroger Invests In Medical Clinic Operator

The *Dayton Business Journal* reports that Kroger has made a "significant" investment in The Little Clinic, a company that operates in-store health clinics throughout the country, including 26 of them in Kroger-owned stores. Details of the investment were not disclosed, but the move certainly gives Kroger a bigger stake in the trend toward operating such clinics, which provide basic health care services, in retail environments.

Certified Grocers, Central Grocers To Merge

Crain's Chicago Business reports that two Illinois-based wholesalers, Certified Grocers Midwest and Central Grocers, will merge in "an effort to combat higher costs and a dwindling customer base."

According to the story, "Central Grocers will absorb Certified's customers, which include Treasure Island and Moo & Oink. Jim Denges, CEO of Central Grocers, will become CEO of the combined company ... The merged entity will operate under the Central Grocers name and move to a new 920,000-square-foot distribution center in Joliet that is scheduled to open in first quarter 2009. The new Central Grocers will serve more than 200 grocery store owners that operate roughly 450 stores in Illinois, Indiana, Iowa and Wisconsin."

"By combining the volume of these two cooperatives, we can take costs out of the equation which will make our members more competitive at retail," Paul Butera, chairman of Certified, said in a prepared statement.

The deal is subject to approval by the shareholders in both companies.

Study Says That In-Store Medical Clinics Are Catching On With Patients

A new poll suggests that 90 percent of patrons who have used in-store health clinics are either "somewhat" or "very" satisfied with the experience, with 86 percent of users saying that they were satisfied with the cost and 88 percent saying they were happy with the quality of the care.

The survey was done as part of a Harris Interactive-Wall Street Journal healthcare study.

The results come just a couple of weeks after the *Wall Street Journal* published a story suggesting that growth of the in-store medical clinic concept could be leveling off, with CVS Caremark scaling back its expansion plans and various other companies shutting down as many as 69 clinics in 15 states over the past few months. Walgreen, it should be noted, continues to expand its presence in this area, and Wal-Mart reportedly plans to partner with a number of hospital systems to open as many as 400 co-branded clinics by the end of 2010.

Sansolo Speaks: Fear of Failure

by Michael Sansolo

Winning really isn't everything. In many ways, losing is much more important if you can lessons from the loss.

I really have no idea how many total speeches and columns I'll deliver on various topics in 2008. But this much I know for sure: the one speech I'd really love to give is the one I won't get to make.

This Sunday, my son, Corey, will graduate from high school. As a proud parent, I'll be delighted to watch him walk across the stage with his 500 classmates. And as a typical commencement attendee, I'll be hoping the speeches are mercifully brief and give the students some kind of wonderful message.

Barring some incredible event, that message won't come from me. So I'll deliver it here instead...after which you may feel free to throw the nearest hat into the air. My message would be this:

Don't fear failure.

Too often, we try to do just the opposite. In fact, as your parents I know we've always tried to shield you. We've given you trophies for finishing in last place and we've railed against any teacher or coach who dared not love you. We were wrong.

You see people who never fail are either superhuman or never take chances. The odds are you aren't in the first group and you most certainly want to avoid the second. Failure is a strange thing. It sounds so awful after all, but it isn't if we fail for the right reasons. And if we learn from whatever happens.

Sometimes we fail because we didn't work hard enough. We didn't plan enough, study enough, train enough or do whatever it took to get ready. That's never a good outcome unless at the end of the day we honestly assess our failure and promise to learn from it. The great baseball pitcher Christy Mathewson said, "You can learn little from victory. You can learn everything from defeat."

Sometimes we fail because we made the wrong choices. Sadly, life isn't lived in hindsight, so we can't know how to make the right choices in advance. Hard work can always help. And never fear asking questions and don't dismiss the answers you don't like.

Sometimes the right choice is clear and we don't make it. Again, learn from that. Doing the right thing may not always be the easiest or most popular choice. But it's the only choice you won't regret later and in the end, nothing will matter more.

And understand that sometimes we fail because we simply fail. We make the right choices, we give the good effort and we do all we can. Yet we still fail. It happens.

Failure stings and none of us like it. Don't ever get uncomfortable with failure any more than you should get uncomfortable with success. Life isn't meant to be lived half asleep. Seek out new challenges and try again.

Stretch...again and again. Remember that your reach needs to exceed your grasp. When you do that, yes, you can fail. And yes, you can stretch. Sometimes you'll actually get the unreachable and the world can change.

Sure there are lots of things you should remember to do as you move on through life. Always nurture your sense of curiosity or your desire to learn. Court opinions opposite yours and try to understand why they are different. Remember the world is bigger than you and walk with humility. Treat people the way you wish to be treated. And donate blood because it's mostly painless and it saves lives.

But most importantly, don't be afraid to fail. Because winning really isn't everything or the only thing. Trying is.

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Deep Impact: The Cost Of \$5 Gasoline

Financial commentator James Cramer, on *TheStreet.com* speculates on what will be impacted when the price of gasoline hits \$5 per gallon.

On the retail side, he writes, the effects can be seen when you go to a Dick's Sporting Goods: "There isn't anything at Dick's that isn't sold cheaper -- although not necessarily better -- at Wal-Mart. Dick's sells expensive sporting goods. You buy this stuff for your kids. They outgrow the stuff. They abuse the stuff. You are not going to go to Dick's to buy the more expensive version of something that's cheaper."

The same goes for food, Cramer writes, saying that people increasingly will shop at the likes of Wal-Mart, Costco and BJ's Wholesale Club for the same "foodstuffs that you would have bought at a Supervalu or a Safeway."

Cramer concludes: "You get in your car that gets the best gas mileage or you buy a new one that does ... and you either buy in bulk at Costco/BJ's or go to Wal-Mart. That's what the soon-to-be-\$5 gasoline is going to do."

FastNewsBeat

- Walgreen said yesterday that it will open three stores in Alaska – its first in that state – next year. The company says that this will give it a presence in each of the fifty states, plus Washington, DC, and Puerto Rico.
- C-store operator Couche-Tard reportedly will launch a new store concept in Canada called Couche-Tard Menu, which will feature an expanded selection of branded prepared foods and ready-to-cook meals, as well as an on-site "food advisor" who can help shoppers select appropriate products. The concept is being tested in eight locations in the Montreal area.
- *Channel 13 News* in Rochester, NY, reports that Wegmans has applied to expand its headquarters there by 400,000 square feet, which would create a campus on which the company could house a total of 1,600 employees.

The MNB Wal-Mart Watch

- *Fortune* has a story about how Wal-Mart is working the current economic downturn to the hilt, looking to create price cuts wherever possible in its quest to generate more sales in its grocery aisles. The conclusion – Wal-Mart has been driving cost cuts throughout the supply chain, from forcing manufacturers to shrink their packaging to sourcing produce locally.
- Wal-Mart Canada announced yesterday that it has achieved its goal "to carry only concentrated products in the liquid laundry detergent category in every one of its 299 stores nationwide ... The switch in Canada alone will save an estimated 25 million gallons of water, six million pounds of plastic resin, eight million pounds of cardboard, 443,500 metric tonnes of carbon emissions and take the equivalent of 1,220 trucks off the road over a three-year period. For water, this will save the equivalent amount required for six million showers."
- The *Financial Times* reports that Wal-Mart "has begun rolling out a global information technology system in a break with its traditional reliance on the home grown IT that underpinned its rapid expansion in the US ... The shift to an external software package represents a significant shift for Wal-Mart, whose IT department historically spearheaded the development of technologies that have in the past transformed its business ... Wal-Mart will continue to develop its own IT solutions, including RFID wireless tagging solutions, and hopes to create a global e-commerce platform that would both unify the systems used by existing online operations in the US and Europe and be replicable in new markets."

According to the story, Wal-Mart CFO Tom Schoewe says that the "efficiency of the home grown system has not kept pace with the corporation's growth."

The Balance Sheet

- Costco Wholesale said that its third quarter profit was up 32 percent to \$295.1 million, on Q3 revenue that was up 13 percent to \$16.26 billion – a result, it says, of a recessionary economy that is sending customers into its stores looking for deals.

Executive Suite

- Jeff Adams, who joined Tesco's Fresh & Easy operation earlier this year, has been officially named executive vice president of operations. Adams most recently ran Tesco's Thailand business, and in his new job will report to Fresh & Easy CEO Tim Mason.
- Tops Markets has named Patrick Curran to be the company's senior vice president of sales and merchandising. Curran is the former vice president of procurement and logistics for Kehe Food Distributors.
- Shelley Broader Resigns As Sweetbay CEO

Shelley Broader, who has led Delhaize-owned Sweetbay Supermarkets since 2002 and spearheaded its transformation to a fresh foods-driven business from an aging Kash 'n Karry brand, announced that she is leaving the company on June 15 to accept another retailing position outside the supermarket industry.

No successor has been named.

Broader came to Sweetbay from Hannaford Bros., which she joined in 1991 after a career in investment banking.

"I consider it an honor to have been chosen to help create this new grocery concept," said Broader. "And although I will be leaving the food sector, I'll always treasure the great spirit and energy the Sweetbay team has shown from the first day we began. The company is in excellent hands, and I know Sweetbay has a bright future. My Sweetbay experience has not only allowed me to work with some remarkable people, but I really have grown to care greatly for the Tampa Bay community, and I will miss being part of it when I leave to pursue this new opportunity."

Ron Hodge, president and CEO of Hannaford Bros., released the following statement: "Shelley has been the driving force in the development of the Sweetbay concept and brand, and her passion for the business has helped build a new, vital organization in a very short period of time. We will benefit from her leadership for years to come."