



*-Week Ending 6/06/08-*

*Below is the list of articles you will find for the week ending 6/6/08 edition of Retail Industry News.*

- » **Study Points To Fundamental Economic Transformation In US**
- » **The Flavor Of Local & Sustainable Foods**
- » **Sweetbay CEO Shelley Broader To Go To Michaels Arts & Crafts Chain**
- » **Trader Joe's, Target, Dole, Kellogg's, General Mills Make New Ethics List**
- » **Wegmans' Bottom Line Bolsters Western New York**
- » **Safeway Gets Animated About Kids Eating Right**
- » **Sansolo Speaks: Point of Wellness**
- » **The Market Grows For Healthier Fast Food**
- » **Aldi's Two Definitions Of "Green"**
- » **FastNewsBeat**
- » **The MNB Wal-Mart Watch**
- » **The Balance Sheet**
- » **Executive Suite**



Thanks to MNB  
for this selection of  
articles.

## Study Points To Fundamental Economic Transformation In US

Information Resources Inc. (IRI) has released a new study, "IRI Times & Trends Special Report: Competing in a Transforming Economy," that essentially argues that regardless of whether the nation officially is in a recession, the US economy is most assuredly undergoing a significant transformation that can be seen in increased prices, high unemployment and declining real estate values.

"These burdens," says Thom Blischok, president of IRI Consulting and Innovation, "are driving fundamental shifts in what consumers buy and where they shop. Consumers are forced to make tradeoffs. Competing in this new, evolving economy requires fine-tuned pricing, promotion, assortment and brand development strategies that are built on an in-depth understanding of a changing consumer in a transforming economy. The challenges of growing in this economy are significant, but there are windows of success."

Among the key findings:

- "Escalating prices have bred exceptionally high price sensitivity, driving declining demand across multiple categories, growth in private label, trial of lower-priced brands and accelerated channel migration."
- "Long-standing consumer purchase drivers, including convenience and health and wellness, are losing some momentum; consumers are foregoing ultra-convenience, and some shoppers are unable to afford healthier foods."
- "Consumers are increasing purchases of basic ingredients and meal components due to reduced restaurant spending and are decreasing purchases of 'non-essentials'."

## The Flavor Of Local & Sustainable Foods

The *Dallas Morning News* has a nice piece about the Dallas Farmers Market, suggesting that its current direction reflects a larger truth about the food business.

"The Dallas Farmers Market is caught up in a trend in which chef and consumer demand for locally produced fruits, vegetables, meats and artisan foods is converging with an increase in people who are eager to provide them," the *News*





writes. "The convergence feeds off environmental interests that include organic foods, sustainability, animal welfare and reducing carbon imprints, as well as a desire to know about a food's origin. You see it not only at the Dallas Farmers Market, but also in the growth of regional markets and the popularity of stores such as Central Market, Whole Foods Market and Sprouts Farmers Market.

"Chefs have always been concerned about flavor. And nothing beats farm-fresh foods – from a juicy Texas peach or tomato to chicken that's been pasture-raised or a delicate, handmade cheese from a farm 20 miles away. Big changes to make the Dallas market more foodie-friendly are yet to come. But small ones, such as the effort to attract more farmers as sellers, already are making a difference."

## Sweetbay CEO Shelley Broader To Go To Michaels Arts & Crafts Chain

*MNB* has learned that Shelley Broader, who recently announced her resignation as CEO of Delhaize-owned Sweetbay Supermarkets in Florida, will become the next president/COO of Dallas-based Michaels Stores, which operates more than 900 arts and crafts units in the US and Canada and generates close to \$4 billion in annual sales.

In going to Michaels, Broader follows another supermarket industry executive – it was a year ago this week that Brian C. Cornell, Safeway's executive vice president/chief marketing officer, moved to the chain as its CEO.

## Trader Joe's, Target, Dole, Kellogg's, General Mills Make New Ethics List

*Ethisphere* magazine has released its 2008 list of the world's most ethical companies, which it describes as "the ones that go above and beyond legal minimums, bring about innovative new ideas to expand the public well being, work on reducing their carbon footprint rather than contributing to green washing and won't be found next to the words 'Billion Dollar Fine' in newspaper headlines any time in the near future."

Among the food and retailing companies that made the cut:

- Aveda Corp.
- Dole Food
- Gap
- General Mills
- Henkel AG,
- IKEA
- Kao Corp.
- Kellogg Co.
- Marks & Spencer
- McDonald's
- PepsiCo
- SC Johnson & Son
- Starbucks
- Stonyfield Farms
- Target
- Ten Thousand Villages
- Trader Joe's
- Unilever
- Whirlpool

According to the magazine, "All of the 2008 World's Most Ethical Companies are standouts in their industries. These companies up the ante for what it takes to be an ethical leader and force their competitors to follow suit or fall behind.

"The World's Most Ethical Companies use ethical leadership as a purposeful method to drive profits. Finally, each of these companies embodies the true spirit of *Ethisphere's* credo: Good. Smart. Business. Profit."





## Wegmans' Bottom Line Bolsters Western New York

In upstate New York, the *Daily Messenger* points to Wegmans as an example of a company that thrives while remaining "committed to our corner of the upstate world."

"With what seems like a grocery store on every corner around here, the company has been looking outside New York for new business growth — and, true to form, it has been quite successful in its expansion endeavors."

"Already with stores in Pennsylvania, New Jersey and Virginia, a new Wegmans store is a strong possibility for a community outside Boston, the chain's first foray into the New England market."

"Sure, it may seem like Wegmans' attention is focused elsewhere, but the bottom line is, any new stores secure Wegmans jobs back home and, for the foreseeable future anyway, its considerable presence here."

## Safeway Gets Animated About Kids Eating Right

*Variety* reports this morning that Warner Bros. has signed a deal with Safeway to promote the retailer's Eating Right Kids line of healthy foods and beverages, making it easier to identify healthy options; the line will hit store shelves this summer.

According to the story, "As part of a licensing deal with Warner's consumer products unit, Safeway's Eating Right Kids packaging will exclusively feature such characters as Bugs Bunny, Tweety, Taz, Sylvester, Wile E. Coyote, Roadrunner, Marvin the Martian and Daffy Duck ... Overall product line covers more than 100 items across 30 categories including breakfast foods, portable meals, dairy, snacks and beverages. Products are formulated based on the most recent dietary recommendations from several federal and state agencies, including the Dept. of Health and Human Services, the Dept. of Agriculture, Alliance for a Healthier Generation, as well as California's school nutrition guidelines."

*Variety* also notes that "as part of the deal, Warner Bros. said it will no longer feature its Looney Tunes characters on unhealthy food packaging, other than certain ice cream products or birthday cakes."

## Sansolo Speaks: Point of Wellness

by Michael Sansolo

Of all the places on earth to get a sense for just how much things can change, few can match Berlin, Germany. But there I stood on a recent night, my hand against one of the remaining pieces of the Berlin Wall, considering just how insignificant it looks today, with hotels, buildings, shops and activity taking place on either side.

If I had any doubts that it wasn't always that way, I got a quick lesson from the young woman who led a friend and me on this visit. She had grown up in East Berlin in a time when the wall was The Wall. At that time, the eastern side of the divide was vacant, the easier to identify and stop anyone trying to escape.

As I stood touching the wall, this young woman began an impromptu dance, leaping over the line that is embedded in the ground to remind visitors of the entire path of the wall. She jumped from the east side to the west of the former divide singing: "I'm in the West; I'm in the East..." Things, as they say, change.

There was nothing so dramatic about the conference I was attending, but then again, change usually doesn't seem very dramatic when looked at from the present. Only when we look back do we suddenly glimpse how different life is today than it was a short while back. It wasn't that long ago that car seat belts were unused or smokers walked and sat among us at conference, restaurants or even college classrooms.

Which raises the question of where will we head in the future on the issue of healthy eating and will the time come when the *point of sale* will become the *point of wellness*, as suggested by Dominique Reiniche, president of the European Union





Group for Coca-Cola.

The issue of health and wellness goes well beyond the US these days as does the level of concern...and the notion of possible solutions range just as far. Only two week ago, an obesity conference in the United Kingdom drew headlines for suggesting that pharmacists will need to play a bigger role in guiding customer choices for health. The surprising news wasn't that pills and advice will be dispensed together, but rather that Britain medical community is behind the idea.

The notion of how to change the discussion on health and wellness is the essential element of the newest report from the Coca-Cola Retailing Research Council of which I am a member. (And for total full disclosure, I was the presenter of the report at the ECR Conference in Europe and a member of the panel discussion where Reiniche made her comment.) The report, conceived and directed by retailers, was produced by the Institute for the Future. It merits your consideration as you think about how things may yet change again.

Using a range of research techniques to create insights into the future, the Institute shows how the intersection of changing lifestyles and societal issues could alter the way consumers shop for food, health and information into the future. It offers forecasts of connections that might change the ways shoppers engage in all sorts of behaviors, including: How health could become a filter for decision making; How health advisors might be found anywhere and everywhere; And how concern for the environment may shape and alter purchasing patterns.

The future, of course, is unknowable and the key to the Institute's work is the debate it can help create inside your company on what the future might resemble and how you are prepared to address it. The information you find on the report isn't so much a solution, as it is an invitation to consider what might be and what steps you will need to take to get there first.

Remember, walls come down unexpectedly all the time. Especially in Berlin.

## The Market Grows For Healthier Fast Food

Stories in both the *New York Times* and the *Washington Post* this week seem to be making essentially the same point – that at least in some venues, healthier fast food seems to be catching on.

The *Times* notes that Let's Be Frank, a three-unit hot dog stand chain in California, "is among a small but thriving segment of the fast-food world offering grass fed and other naturally raised meats to the masses. Others include Chipotle Mexican Grill Inc., which operates more than 730 eateries in over 30 states, and Burgerville, which has 39 restaurants in Washington and Oregon.

"Those eateries and others are providing a new market for beef and pig ranchers around the country who eschew the widespread factory-farm model and instead raise animals the old-fashioned way in pastures and outdoor pens."

According to the *Times* piece, there are compelling reasons to choose such fast food places over more traditional options: "A recent study funded by the Pew Charitable Trusts found that intensive industrial livestock production has yielded antibiotic-resistant bacteria, degraded the environment and devastated rural communities by replacing farm and ranch jobs with poorly paying feedlot positions. By contrast, operations such as Hearst Ranch raise their animals without growth-promoting hormones or antibiotics, and don't confine their livestock to teeming feed lots." Consumers are becoming aware of the chasm between these old-fashioned/newfangled agricultural operations and the industrial model – in part because of stories like the one in the *Times* - and are trying to make more healthful decisions.

Meanwhile, the *Washington Post* reports that the market for organic fast food "in the Washington area are about to grow. Organic to Go, a Seattle company founded in 2004, said yesterday that it has purchased locally based High Noon's four cafes, as well as its catering operation, and plans to turn the lunch hot spots into places where office workers can flee their cubicles and devour a meatloaf sandwich made with organic beef."

According to the *Post* story, "The company is not first to the D.C. market with quick, organic food. Last year, three Georgetown University graduates opened a restaurant called Sweetgreen, on M Street in Georgetown. Sweetgreen serves





salads that are mostly organic in environmentally friendly surroundings. The packaging is biodegradable ... Other chains popping up include Evos, a Tampa company with fast food outlets in several states offering soy burgers and air-baked fries. Gusto Grilled Organics' flagship restaurant is in midtown Manhattan and serves eat-in, takeout, or delivery -- steak sandwiches, empanadas, pizzas and more."

## Aldi's Two Definitions Of "Green"

The Syracuse *Post-Standard* reports that German discounter Aldi has opened a new generation "green" store in East Syracuse: "Its customers will notice the skylights, higher ceilings than found in older stores, high windows facing Bridge Street and, perhaps, the unusual lighting in the cooler cases ... On the green side, diamond-shaped LED lighting on the inside frames of the store's upright coolers provide more than enough light to see the products, and just enough to give the store 80 percent in savings over fluorescent lighting employed in older stores.

"The street-front exterior sign also uses LED lighting to cut back on the typical yearly-or so sign maintenance that comes with replacing fluorescent fixtures. Like the LED lighting, much of the 'green' in this \$2 million green Aldi store is behind-the-scenes. New cooling and refrigeration systems were chosen as more Earth-friendly and to save money."

Aldi, which credits Wal-Mart for both pioneering many of these energy-saving measures and sharing the technologies even with competitors, hopes to achieve a 30 percent overall savings in its utility footprint.

## FastNewsBeat

- In Kentucky, the *Courier Press* reports that Houchens Industries has completed its acquisition of Buehlers Foods. According to the story, "Buehler's Buy-Low stores will continue to operate under that name, and store associates remain employed by the company ... Buehler's Buy-Low day-to-day operations will continue to be headquartered from Jasper, Ind. However, former Buehler Foods president Kris Buehler Massat is no longer involved in the management of the company."
- The *Seattle Times* this morning reports that Starbucks has laid off 100 people, including 25 headquarters employees, as it continues to cut costs in search of greater profitability. The company emphasized that no store employees have been laid off.

Starbucks had announced 600 layoffs, many of them at headquarters, back in February.

- The *Austin Business Journal* reports that both HE Butt and Whole Foods have recalled "fresh Roma and large field-grown round tomatoes after the Texas Department of State Health Services warned of a salmonella outbreak linked to eating uncooked tomatoes ... State health officials believe the consumption of raw tomatoes is the likely source of the bacterial infection."
- The *Palm Beach Post* reports that Publix has opened a new GreenWise organic and natural foods store in Boca Raton, which doubles the number of GreenWise stores operated by the company. According to the story, "The all-new store does feature many of the new elements introduced at the first GreenWise in Palm Beach Gardens, including green or environmentally friendly designs."
- Ahold-owned Stop & Shop has received the John A.S. McGlennon Environmental Award for Corporate Leadership from the Environmental Business Council (EBC) of New England, recognizing the company for "outstanding accomplishments in the promotion of a sustainable, clean environment."
- In the UK, *The Grocer* reports that William Morrison Supermarkets has instituted price cuts on more than 2,000 products in a wide variety of categories including groceries and HBC. The move comes as Morrison seems to be growing its market share at a time when market leader Tesco's percentage of the nation's grocery sales has been dipping a bit.
- As expected and reported earlier this week, JM Smucker is acquiring the Folger Coffee brand from Procter & Gamble or \$2.95 billion in stock.



## The MNB Wal-Mart Watch

- *Advertising Age* reports that Wal-Mart has launched a new alliance with Yahoo!, announcing that it will now “have Yahoo sell advertising on Walmart.com, another sign that companies which previously never considered themselves media companies are today, in effect, media companies. Wal-Mart also recently launched a free classified service.”

## The Balance Sheet

- Royal Ahold said this morning that its overall first quarter profit was up 8.9 percent to the equivalent of \$402 million (US). In the US, the company said that Q1 profits were down 11 percent to \$202 million at Stop & Shop/Giant of Landover, while they were up 16 percent to \$72 million at Giant of Carlisle.
- Target Corp. said that its May sales were up 5.5 percent to \$4.6 billion, on same-store sales that were off 0.7 percent.
- Rite Aid Stores posted May sales that were up 47.9 percent to \$2.5 billion, from \$1.7 billion during the same period a year ago. Same-store sales for the month were up 1.3 percent.

For the first quarter, Rite Aid said that sales were up 48.5 percent to \$6.6 billion, on same-store sales that were up 1.5 percent.

The overall sales increases were robust because of the company's acquisition of Brooks Eckerd.

- Longs Drug Stores said that its May sales rose 0.2 percent to \$374 million, on same-store sales that were down 1.4 percent.
- Smithfield Foods reported that its fourth quarter net income was down 93 percent, to \$2.4 million from \$37.1 million during the same period a year ago. The company blamed the plummeting profits

## Executive Suite

- The *Wall Street Journal* reports this morning that Carrefour plans to name Amaury de Sèze as chairman and José Luis Durán as chief executive, under a plan to simplify its governance structure. The moves, according to the story, appear to reflect “increased influence of billionaire Bernard Arnault and his partner Colony Capital on the France-based retailer,” both of which have built a significant stake in Carrefour.
- Ahold-owned Stop & Shop announced that Jim Wonderly, the company's vice president of GM/HBC, has been promoted to the role of vice president of pharmacy for both Stop & Shop and Giant Food.

At the same time, Joel Berman, previously the company's regional pharmacy manager and senior director of pharmacy operations, has been named vice president of pharmacy operations.