

- Retail Industry News from IRI for Week Ending 6/8/07-

Below is the list of articles you will find for the week ending 6/8/07 edition of Retail Industry News.

- ▶ Good Marks For SuperValu From Albertsons Vets
- ▶ Tesco Gets Attention On Both Coasts
- ▶ Natural Products Sales Grew Almost 10 Percent Last Year
- ▶ Former Safeway CMO Goes To Crafts Chain As CEO
- ▶ FastNewsBeat
- ▶ The MNB Wal-Mart Watch
- ▶ The Balance Sheet
- ▶ Executive Suite



Thanks to MNB
for this selection of
articles.

Good Marks For SuperValu From Albertsons Vets

The *Idaho Statesman* reports that "one year after SuperValu bought most of Boise-based Albertsons, the Minneapolis company seems to have accomplished what Albertsons' former leaders couldn't... SuperValu's stock has more than doubled. Same-store sales have climbed. The fear in the community that this would be the end of Albertsons has subsided. And to hear at least one Boise store director tell it, employees have calmed down."

According to the store director, Steve Oldenburg, "employees appreciate how SuperValu executives have communicated with them and made clear what the company is doing. Because many employees are shareholders in the company, it's been nice that SuperValu's stock price has nearly doubled since the acquisition."

The *Statesman* notes that while Albertsons former CEO Larry Johnston – who came to the company after a career at GE and was largely described as "that toaster salesman" by an unhappy workforce – was able to boost the stock price when he started at the company, it was largely through cuts in people and stores; same store sales remained pretty much stagnant.

According to SuperValu CEO Jeff Noddle, the transition is still under way. Noddle tells the paper that more Boise employees are moving to the company's Minneapolis headquarters this summer now that school is out, and that employees who don't move are receiving severance packages.

"We've got off to a very good start, but we've said from the beginning that the transition of bringing these companies together is a three-year journey," Noddle says. "I'm very pleased with the reception Boise has given us, and the talent and competency of the Boise-based people has been exceptional."

Tesco Gets Attention On Both Coasts

Both the *New York Times* and the *Los Angeles Times* have sizable pieces this morning about Tesco's plans for the US and its planned opening of Fresh & Easy Neighborhood Markets in California, Arizona

and Nevada later this year.

- The *New York Times* writes: "Britain's largest retailer, Tesco, is finally ready for its American debut.

"It has sent executives to board with American families, watching what they eat and where they shop. The scouts have built a clandestine store inside a California warehouse to test the reactions of selected people, telling any busybodies who inquired that it was a movie set. They have run computer models and pored over economic data and mapped demographic trends.

And, of course, they have sized up the competition," having considered a US invasion for two decades before finally making the move.

The *NY Times* writes, "The Tesco strategy can be considered an end run around the world's other giant retailers, Wal-Mart and Carrefour, which have recently been withdrawing from difficult markets after a race to plant flags in as many countries as possible.

"Wal-Mart's growth at its superstores has faded while Carrefour is pulling back to concentrate on thinning margins in France, its home market. Tesco, meanwhile, is at the top of its game in Britain, where its business is generating plenty of cash for investment overseas. Tesco knows that confronting Wal-Mart head-on in Wal-Mart's home market would be suicidal. By slipping in through a neglected niche, Tesco hopes to build a business where even Carrefour fears to tread...Tesco hopes to avoid the pitfalls that have tripped up other foreign retailers in the United States by starting small and growing organically rather than entering the market with a splashy acquisition."

- The *Los Angeles Times* takes a somewhat more localized view in its lead, as might be expected:

"A new chain of mid-size grocery stores — each about the size of a Trader Joe's — is quietly being readied for a full-scale assault this fall on Southern California," the *LA Times* writes. "With little fanfare so far, Tesco, Britain's largest retailer, is spending as much as \$2 billion to launch Fresh & Easy Neighborhood Market, starting in the Southland, Las Vegas and Phoenix...The company already has about 100 stores in the works that might alter the supermarket landscape, possibly driving down prices and competing for workers, all at neighborhood locations away from huge shopping centers."

The *Times* reports that "the first stores are expected to open in late October or early November. The company plans to offer a selection of foods, liquor and personal items and create about 2,500 jobs over the next year. But don't expect the British firm to stock hometown favorites such as sausage rolls, creamed tapioca and Yorkshire pudding.

"Offerings at Fresh & Easy will be 'less processed' than most packaged food...The stores — each with about 10,000 square feet of selling space — will offer a carefully chosen selection of meats, produce, wine, packaged goods, dairy items and prepared meals...(and) will stock about 3,000 products, a much smaller selection than what's found in a traditional supermarket. A larger supermarket might offer 10 brands of soap, but Fresh & Easy will have just a couple.

"Instead of large tables of apples and other produce, fruit and vegetables will be displayed in rows of smaller bins.

"The heart of each store will be an area that Fresh & Easy is calling the 'Kitchen Table.' It will function

like a food information desk. Customers will be encouraged to stop and chat with employees trained to answer questions...Prepared food, meals people can grab on their way home from work, will be a major part of the formula."

Natural Products Sales Grew Almost 10 Percent Last Year

Natural Foods Merchandiser has published its 2007 Market Overview, concluding that U.S. natural products sales grew 9.7 percent in 2006 across all channels, reaching \$56.76 billion in total sales.

Other results published in the overview:

- Natural personal care sales grew by 18.4 percent to \$2.78 billion and natural pet product sales increased 15.1 percent to \$367 million.
- Other organic categories showing strong growth were coffee and tea at 23.3 percent and nutrition bars at 22 percent.
- Food sales in natural product stores were up 11.7 percent, with the hottest sales categories being fresh meat and seafood, as well as beer and wine. Produce remains the largest category with sales of \$3.3 billion, up 11.5 percent over 2005.
- The retail channel accounted for 81.2 percent, or \$46.06 billion, of total sales. For the second consecutive year, natural products retailers drove double-digit growth—this year at a 10.7 percent rate.
- Natural products retailers accounted for close to 50 percent of total market revenues with sales of \$28.27 billion.

Executive Suite: Former Safeway CMO Goes To Crafts Chain As CEO

Michaels Stores, Inc., the specialty retailer of arts, crafts, framing, floral, wall décor, and seasonal merchandise, announced that Brian C. Cornell has been named Chief Executive Officer of the company, effective June 4, 2007.

Cornell most recently served as Executive Vice President and Chief Marketing Officer of Safeway, Inc., where he had responsibility for the merchandising, marketing, manufacturing, supply chain and online business.

FastNewsBeat

- The *Sydney Morning Herald* reports that Costco CFO Richard Galanti says that the company has been investigating the possibility of expanding to Australia, and that "there's nothing on the horizon over the next 12 months, but it doesn't mean tomorrow that could change." The cost of land in Australia reportedly has been one of the drawbacks cited by Costco in the past.
- Aldi reportedly that discount grocer Aldi has begun adding fresh meat to its US stores, a strategy similar to one that the company has been pursuing in its European businesses.

- Rite Aid Corporation announced that the US Federal Trade Commission (FTC) has approved Rite Aid's acquisition of the Brooks and Eckerd drugstore chains from The Jean Coutu Group. Rite Aid expects to complete the acquisition, which includes approximately 1,850 Brooks and Eckerd stores and six distribution centers, primarily located on the East Coast and in the Mid-Atlantic states, today.
- The *Detroit Free Press* reports that when Kroger purchases a number of Farmer Jack stores currently owned by A&P, it is expected that the company "will likely honor benefits for Farmer Jack employees it hires." That assertion comes from the United Food and Commercial Workers (UFCW), but Kroger has not commented on the possibility.
- Published reports say that the Spanish supermarket chain Eroski Sociedad Cooperativa will spend the equivalent of \$1.3 billion to buy a 75 percent stake in Caprabo SA, another Spanish supermarket chain. The deal makes the combined entity the nation's second largest food chain, behind Mercadona.
- The *New York Times* reports on a new study saying that women who have one drink of alcohol each day reduced their risk of a non-fatal heart attack by almost a third. However, there are limits to alcohol's positive impact – the study also says that women who got drunk just once a month actually increased their likelihood of having a heart attack by six times.

The MNB Wal-Mart Watch

- The *Wall Street Journal* this morning reports that's Wal-Mart's slow down of its expansion plans – reported here on *MNB* yesterday - could have a broad impact in the food industry – both positive and negative, depending on the perspective.

"Industry observers say packaged-food companies that rely heavily on Wal-Mart's supercenters, which sell everything from food to furniture, could be hurt by its plan to slow the pace of U.S. store openings," the *WSJ* writes. "General Mills Inc., Kellogg Co. and Del Monte Foods Co. could feel the strongest impact, Credit Suisse analyst Robert Moskow said in a note to investors.

"On the other hand, the decision could be welcome news for rival supermarket chains, though they may not feel a benefit from the cutbacks until the second half of next year."

- The *Financial Times* reports that Wal-Mart plans to introduce a pre-paid card designed for low-income customers who do not have bank accounts. The card will be launched with GE Money and will carry Visa branding, according to the report, which also said that Wal-Mart has conceded that regulatory realities make it unlikely that it will be able to open its own industrial bank any time soon.

FT writes that Wal-Mart is hoping that customers will use the cards as quasi-bank accounts to access a range of financial services offered by GE, its partner in such endeavors.

- Published reports say that the joint venture that Wal-Mart plans to roll out in India with Bharti Enterprises is taking longer than expected because of real estate and logistic issues. However, Bharti CEO Sunil Mittal says that the first stores in the venture should open next year as planned, and he minimized local resistance to a Wal-Mart presence in India.

"Opposition is always there," he says. "I'm sure that as farmers and customers see the benefits of it, the resistance will go away."

- The *Wall Street Journal* this morning asks the question that increasingly seems to be coming up, and that some at Wal-Mart no doubt would prefer to go away:

How long can Wal-Mart CEO Lee Scott keep his job?

Citing all the various pressures on the company, from lagging same-store sales to lawsuits to ethical questions, the *Journal* doesn't offer any answers to the question.

The Balance Sheet

- Target Corp. said that its first quarter net earnings were \$651 million, compared to \$554 million for the same period last year. Total revenues for the quarter were \$14,041 million, compared to \$12,863 million for the same period a year ago, an increase of 9.2 percent. with same-store sales up 4.3 percent.
- Walgreen posted May sales of \$4,583,320,000, an increase of 10.7 percent from \$4,140,191,000 for the same month in 2006. Same-store sales were said to be up 6.4 percent.
- Costco said this morning that its May sales climbed 11 percent to \$5.14 billion from \$4.63 billion in the prior year, on same-store sales that were up seven percent.
- Ahold announced this morning that its first quarter profit decline two percent to the equivalent of \$326 million (US).
- Rite Aid reports that its May sales were up 2.2 percent to \$1.72 billion, on same-store sales that were up 1.7 percent. For the just completed first quarter, total sales were up 2.8 percent to \$4.44 billion, with same-store sales that were up 2.3 percent.

Executive Suite

Michaels Stores, Inc., the specialty retailer of arts, crafts, framing, floral, wall décor, and seasonal merchandise, announced that Brian C. Cornell has been named Chief Executive Officer of the company, effective June 4, 2007.

Cornell most recently served as Executive Vice President and Chief Marketing Officer of Safeway, Inc., where he had responsibility for the merchandising, marketing, manufacturing, supply chain and online business.

- Price Chopper Supermarkets/Golub Corporation announced that Trieste Savona, the company's Manager of Design, has been promoted to the new position of Director of Design, reporting directly to Bill Sweet, Vice President of Construction & Engineering.
- Family Dollar Stores announced that it has promoted Marianne Fiorucci, Divisional Vice President - Strategy and Business Development, to the position of Vice President - Planning and Allocations.
- John Browett, Operations Development Director at Tesco and someone often named as someone who could replace Sir Terry Leahy someday as the CEO of the food chain, is leaving the company to become Group Chief Executive at DSG International, the electronics retailer.