



*-Week Ending 7/17/09-*

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Thanks to MNB  
for this selection of  
articles.

## The Unique Proposition That Is Ukrop's

Nice piece on *Richmond.com* this morning as it considers the rumored sale of Ukrop's and points out the ten things it likes most about the grocer: its White House Rolls, Rainbow Cookies, grocery carryout service, salad bar, fried chicken, local ownership, items placed on sale early in the morning and late in the day, birthday cake, commitment to community and clean restrooms.

And the website makes an excellent point: that while there are things that rival grocery chains do well that also can be appreciated, like the fresh food quality at Wegmans and the online shopping offered by Harris Teeter, it is the unique confluence of qualities offered by Ukrop's that makes it special if not quite unique.

## Walmart To Create Product Sustainability Index

The *New York Times* this morning reports that Walmart plans to lay out a plan today that will "encourage" its suppliers to provide information about their products' social and environmental impact, creating an electronic indexing system that will make a wide variety of sustainability issues accessible to shoppers. The process will begin with the company asking its 100,000 suppliers 15 questions about specific sustainability practices, requesting that the information be sent back by October.

"We have to change how we make and sell products," Walmart CEO Mike Duke plans to tell employees and suppliers at a meeting later today, according to remarks obtained by the *Times*. "We have to make consumption itself smarter and sustainable."

The general consensus seems to be that while Walmart hopes that eventually other retailers will adopt the index, at the moment it is pretty much the only retailer that can create and enforce such standards – and even then it will not be easy, since there will be resistance to developing sustainable production and distribution because of cost concerns, and resistance to putting all that information on an index and could be seen as leveling the playing field among manufacturers.

"The first question is always, 'It's going to cost more,' " John E. Fleming, Walmart's chief merchandising officer, tells the *Times*. "But you know, I think we've demonstrated time and time again, if you reduce packaging, if you reduce energy, the costs go down." Walmart will not force suppliers to contribute to the index, but has said that those resisting the call will gradually become less relevant to the chain's ongoing operations.





## Winn-Dixie Gets Fresh With Remodels & New Branding Statement

Winn-Dixie announced yesterday that 51 of its stores in the north Florida and south Georgia areas have been remodeled and upgraded, and are being rebranded with the following slogan: "Fresh Checked Every Day."

"We've spent the last several years improving our stores, our merchandising and our service," Winn-Dixie chairman/CEO/president Peter Lynch said in a prepared statement. "Now, Winn-Dixie customers in the Jacksonville area, no matter where they shop, will find a fresh and local shopping experience, with enhanced customer service, every time they visit us."

The improvements include a new décor package, improved fresh food departments, and expanded organic and natural product selections.

## Whole Foods Says Each Of Its 273 Stores Is Certified Organic

Whole Foods said yesterday that each of its 273 stores has been individually certified as an organic grocer complying with federal regulations that require the company to audit all of its products to make sure they live up to organic certification standards, make sure that these products are not co-mingled with conventional products in a way that might contaminate them, and train employees in how to handle organic merchandise.

"This news underscores our unwavering commitment to the overall integrity of organic and offers assurance to our shoppers," says Joe Dickson, quality standards coordinator for Whole Foods Market. "Our stores are an organic product's last step in the journey from farm to shopping cart. It's important for Whole Foods Market to maintain its certification as an organic retailer so our customers can trust that the organic food they choose has been sourced, stored, handled and marketed according to organic requirements."

According to the company, when the US Department of Agriculture (USDA) first developed organic standards seven years ago, companies were allowed to apply for group certification; now, however, USDA requires that store be individually certified.

"We believe that our customers benefit from having everyone who handled their organic food certified, not everyone except the retailer," says Dickson. "While some certified retailers may have just a few departments certified, and focus on shrink-wrapped organic produce, we've opted to go all out. In our stores, every department that handles organic food is certified - produce, meat, bulk, cheese, even stores with organic salad bars are certified."

## Cub To Make Nutrition Labeling System Available In Four States

Supervalu-owned Cub Foods said yesterday that it will make its "nutrition iQ" labeling program, first announced by the parent company last January, available in its 73 stores in Minnesota, Iowa, Wisconsin and Illinois.

Supervalu says that the nutrition iQ system uses established U.S. Food and Drug Administration Nutrient Content Claims as a framework to determine the nutritional benefits of items that pass a set of qualifying criteria and are, at a base level, better for consumers. Products meeting the threshold criteria are then further evaluated to identify their top one or two nutritional benefits, which are called out for consumers on color-coded nutrition iQ shelf tags.



The program covers 11 different nutrient claims in seven categories with the shelf tags color-coded as follows:

- excellent or good source of fiber are denoted by orange tags,
- excellent or good source of calcium by blue tags,
- excellent or good source of protein by yellow tags,
- low or healthier level of sodium by dark green tags,
- low calorie by a purple tag,
- low saturated fat by a red tag and
- whole grains by a dark orange tag.

According to the company, “the tags are located in an area where consumers naturally look when making food purchases — on the store shelf right below the product’s price, unit price and bar code. The at-a-glance cues are designed to help point consumers toward healthy food options. The information serves as a supplement to the more detailed information already found on the ‘Nutrition Facts’ portion of food labels, should consumers wish to compare products further.”

## Hannaford Prepares To Open New “Green” Store

The *Boston Globe* this morning carries a story saying that Delhaize-owned Hannaford Supermarkets is readying a new supermarket in Augusta, Maine, that it believes will be the first supermarket to achieve LEED (Leadership in Energy and Environmental Design) Platinum certification, the highest standard for U.S. Green Building Council’s LEED program.

Interesting facts about the new store:

- Ninety-nine percent of the former Cony High School building, which used to stand on the lot, was recycled or reused. More than 96 percent of construction and demolition debris was recycled.
- The new store is expected to utilize about half as much energy as a typical supermarket.
- The store has many unique visual features that save energy and/or are environmentally preferred. For instance, natural daylight is utilized in six different ways to light the store; a 7,000 square foot green roof, which is a layered system of soil and drought resistant plants, will reduce water runoff and help insulate the store; and 86 percent of the wood incorporated in the store is Forest Stewardship Council (FSC) certified.

“We’re always striving to improve our energy efficiency and lighten our environmental impact. Constructing a store to meet the highest LEED standards was a natural next step,” said Ronald Hodge, Hannaford’s president/CEO. “Our goal is to improve the performance of our stores, while maintaining competitive prices and creating a pleasant atmosphere for our associates and customers. Among approximately 85,000 U.S. supermarkets, Hannaford has created a one-of-a-kind learning laboratory for environmental gains.”

The store is scheduled to open late next week. There is an obvious trend here. Food Lion, also owned by Delhaize Group, said yesterday that it has broken ground on the company’s first and South Carolina’s first green grocery store. The store, located in northeast Columbia, will be Leadership in Energy and Environmental Design (LEED) Certified.

The store reportedly will feature a number of environmentally friendly construction and energy-efficient services, including an on-site recycling center, skylights for natural lighting, educational kiosks and preferred parking for low-emitting vehicles.



## ***Sansolo Speaks: "Learning to Fall"***

*by Michael Sansolo*

There's an old maxim that there are no bad questions, just bad answers. Sadly, I have to disagree. In a recent meeting with a group of retailers from outside the US, I was asked the mythical bad question. The only problem is that I'm afraid it's a question many others would like to ask.

The question came after a wide-ranging discussion I was leading for the group on different strategies and ideas to build customer loyalty in the middle of today's volatile times. Nearly the entire group was involved, discussing the changing meaning of value. Suddenly one retailer said he had heard too much. He didn't want to hear a discussion or a variety of choices. Rather, he wanted one thing:

*A sure-fire winning idea and nothing more.*

Don't we all. The problem is, that answer doesn't exist. If you only want the one answer that works, you can't possibly find it because you aren't prepared to wade through all the ideas that don't work. It's just that simple. The only sure thing is that there is no sure thing.

We get a great lesson in this from Lance Armstrong and his incredibly tough sport of bicycle racing. (I cannot claim to being a fan at all, but Armstrong is extremely compelling. How does he do what he does?) A recent article in the *Wall Street Journal* about this challenging sport made me think twice.

Bicycle racing is an enormously demanding sport, stressing every part of the body beyond belief. But what the *Journal* found so interesting is the challenge of what would seem to be the easiest part of a race: going downhill. The *Journal* article explained that in downhill runs the riders go at extremely high speeds down sharp declines that are loaded with tight turns. On skinny racing tires it's apparently quite hairy. Sounds a little like business doesn't it?

Here's what got me. Most riders expect to fall; in fact they even practice falling correctly to avoid breaking bones. Apparently you can't win if you can't fall properly.

That's not an entirely new concept. There have been countless athletes, scholars and generals who have talked about the importance of losing and - no small point - the lessons that come from defeat. In many ways those incidents far outweigh victories.

Learning to fall or lose is just as important in business. Since there is no sure thing we are all guaranteed to fall and fail again and again. All we can do is make sure we understand falls and failures so they don't take us out of the race. Dealing with losing will help us win.

Vision matters too. July 1 marked the 30th anniversary of possibly the least necessary invention ever, but one that we've all come to love and continues to grow in use worldwide (even though Apple's iPod clearly has surpassed it on the "cool" scale). Thirty years ago the head of Sony had a personal request that varies depending on which reports you find. Some say he was an avid tennis player; others say it was about lengthy airplane flights. Either way, he wanted to listen to classical music without disturbing anyone around him. Prior to 1979, you may recall, the only way to do that was by hooking up a weak little earpiece to a transistor radio, which hardly allowed you to program your own music.

With that request, the Walkman was born. It was an item that actually tested poorly with focus groups because no one knew that they wanted it. But because it had a powerful backer, the Walkman was produced and today, as we all position the ear buds of our iPods, we have to be very glad for that moment.

At no point was the Walkman or the iPod a sure thing. In fact, both could have been colossal failures, but by taking a chance two companies harnessed incredible success. In short, they dared to fall.

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## Food Lion Expands Hispanic Format Reach

In North Carolina, the *News & Observer* reports that Food Lion is expanding its test of a new format catering to Hispanic shoppers.

The first of the stores opened up about a year ago, with five units in the North Carolina Triangle. According to the paper, "Along with significantly bulked-up selections of dry goods such as beans, tortillas and spices, the stores also carry cuts of meat and produce items popular with Hispanic shoppers. The employees at those stores also undergo training both in the Spanish language and Hispanic culture."

The *News & Observer* writes that "last week, the company opened 13 stores in the Piedmont area all featuring the Hispanic focus, and it didn't take long to see a sales increase ... Food Lion will convert another 22 stores, including 10 in the Triangle, this month, with plans to reopen those stores officially on Aug. 12. It will also revamp 19 stores in the Charlotte market this summer, reopening those in September.

"When all of those conversions have been done, 59 stores, or roughly 10 percent of Food Lion's 503 North Carolina locations, will have the Hispanic focus."

## FastNewsBeat

- The *Denver Business Journal* reports that Safeway and Kroger-owned King Soopers and their unionized employees have agreed to extend their contracts until August 15, and will continue negotiations on a new deal to replace the one that expired officially on May 30.
- The *Seattle Times* reports that Starbucks is facing a labor organization effort at one of its Quebec stores, as workers there have aligned themselves with the Industrial Workers of the World and filed a request with the government to unionize.
- The *Tampa Tribune* reports that Publix continues to have a dominant market share in Florida, with 41.4 percent of supermarket sales there. Walmart is in second place, with 24.7 percent, and Winn-Dixie is in third with 13.3 percent.

However, the paper also reports that Walmart's market share was up by 0.7 percentage point since March 2009, while Publix was down 0.5 percent and Winn-Dixie was down 0.2 percent.

The only exception to this trend is the Tampa market, where Walmart's market share is down a bit while the Publix share is up.

- The *Columbus Dispatch* reports that the recession has forced central Ohio supermarkets to adjust their pricing: "Kroger, Giant Eagle, Meijer and Walmart have lowered prices on staple foods such as milk and eggs to keep and attract price-sensitive customers."

According to the paper, the chains are absorbing some of the costs because they are cognizant of the tough times that have affected local residents, and they have been aided by dropping commodity costs – which is a marked difference from a year ago when both costs and prices were increasing and some analysts and pundits were predicting that they were unlikely to come down.



## The MNB Wal-Mart Watch

- The *Metropolitan News-Enterprise* reports that the Ninth US Circuit Court of Appeals has ruled that Walmart cannot be held responsible for violations of labor standards committed by foreign product suppliers.

According to the story, the court “granted Walmart’s motion for summary judgment rejecting contract and tort claims on behalf of workers at factories in Bangladesh, China, Indonesia, Nicaragua and Swaziland” who charged that “the companies they worked for failed to pay minimum wage, forced them to work overtime, blocked them from organizing unions,” and violated labor standards that Walmart writes into contracts with suppliers.

The court ruled that while Walmart has said it will do its best to enforce basic labor standards in foreign countries, it is under no legal obligation to do so and certainly cannot be sued for lapses at other companies in other countries.

- *Bloomberg* reports that Walmart has stopped buying salmon from Chile “after an outbreak of infectious salmon anemia in the South American nation.” The company has switched to supplier that fish for Atlantic salmon, and, according to spokesperson Caren Epstein, has not had to raise prices on the product.

## The Balance Sheet

- PriceSmart, which operates membership warehouse clubs in the Caribbean and Latin America, reports that its third quarter sales increased 7.8 percent to \$299.6 million from \$278.0 million in the third quarter of fiscal year 2008. Total revenue for the third quarter was \$306.5 million compared to \$283.7 million in the prior year.

Q3 net income was \$8.7 million, compared to \$10.6 million a year ago.

## Executive Suite

- Supervalu announced yesterday that Brian Huff, president of the company's Cub Foods division, has been promoted to be senior vice president of specialty retail for Supervalu, responsible for its bigg's, Cub Foods, Farm Fresh, Hornbacher's, Shop 'n Save, and Shoppers Food & Pharmacy banners.
- Walgreen Co. announced that Wade D. Miquelon, its senior vice president and chief financial officer, has been promoted to be executive vice president and chief financial officer.

In addition, John W. Spina, Walgreens' vice president and treasurer, has been promoted to be corporate vice president of retail integration and new format development.