



-Week Ending 7/18/08-

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Thanks to MNB
for this selection of
articles.

A&P Shows Improved Performance With New Attitude

The Great Atlantic & Pacific Tea Co. (A&P) this morning released its first quarter financial results, saying that Q1 sales were \$2.9 billion versus \$1.7 billion last year. Comparable store sales increased 3.2%, which excludes sales for Pathmark stores acquired in December 2007. Comparable store sales for Pathmark, measured during the same period, increased 3.1%.

According to the statement released by the company, "For the first quarter, excluding non-operating items, adjusted income from operations and adjusted EBITDA were \$16 million and \$96 million, respectively, and include \$22 million of integration synergies. This compares to an adjusted loss from operations of \$8 million and adjusted EBITDA of \$39 million in last year's first quarter."

Eric Claus, president/CEO at A&P, said that "the first quarter of 2008 clearly demonstrates our continuing progression in operating improvement with the achievement of our fourth straight quarter of comparable store sales of over 3%. Further, Pathmark is already achieving positive results with comparable store sales climbing above 3% for the first time in many years. The Company is also well underway with the completion of the Pathmark integration, as many of the planned milestones have been achieved. As of the end of the first quarter, our annualized run-rate of synergies is approximately \$100 million.

"This quarter was particularly significant in that we announced an integral step in our strategic transformation to improve market share, sales and sustainable profitability – the conversion of the majority of SuperFresh stores in the Philadelphia market to the recently premiered Price Impact format under the Pathmark Sav-A-Center banner and a number of SuperFresh locations retaining the Fresh format with significant upgrades."

Pharmacy Numbers Suggest Growing Link Between Food, Health

Demonstrating the increased link between food and health that seems to be emerging in US grocery stores, the Food Marketing Institute (FMI) annual "Supermarket Pharmacy Trends" report says that "nearly half of food retailers (48.1 percent) provide health seminars, disease management programs, health-focused shelf tags and store tours of healthy products in at least some of their stores,"

In addition, according to the report, 38.5 percent of retailers are offering walk-in clinics, 32.7 percent are providing nutrition counseling, 30.8 percent have health-focused recipes, and 19.2 percent have 340B drug programs (reduced pricing for the uninsured), 19.2 percent.





The "Trends" report also says that the median number of prescriptions dispensed per day in supermarkets was 126 in 2007, comparable to 125 in 2006 and up from 120 the previous two years, that median weekly prescription sales per store rose to \$46,000, from \$42,000 in 2006, that prescription sales as a percentage of total store sales held steady at 9.4 percent, compared with 9.5 in 2006, although above the 9.0 percent reported in 2005 and 6.0 percent in 1997, and the generic drug share of prescription volume increased to 63.5 percent, from 58.0 percent.

Jewel To Debut New Small Store Format

MarketWatch reports that Supervalu-owned Jewel-Osco plans to open a new small-store format in Chicago.

The 16,000 square foot store, which will run under the "Urban Fresh by Jewel" banner, will open this fall in Lincoln Park, just north of downtown. It "is designed as a specialty grocery store catering to the unique shopping needs of busy, on-the-go professionals and time-sensitive commuters," according to *MarketWatch*. "One of the store's key offerings will be a variety of ready-to-go meal solutions, ranging from gourmet sandwiches to dinner entrees. The store will carry produce and organic offerings, as well as a selection of fresh meats and seafood."

Sansolo Speaks: When The Truth Helps

by *Michael Sansolo*

Author Pat Conroy once said the greatest gift a writer can have is a dysfunctional family. The greatest gift for someone like me, who writes about customer service, is quite different. I'm fortunate to be a frequent flyer.

Traveling the skies these days isn't fun, but it is simply amazing the difference that individuals can make in the experience. Take two simple incidents from just the past week.

The first came on Delta Airlines in Atlanta. (Yes, all roads pass through Hartsfield-Jackson Airport...including the routes to hell.) For a host of reasons, my flight was delayed a mere 150 minutes. When we finally boarded, the flight attendant, as if she arrived from another planet, used the intercom to urge us to take our seats quickly "to ensure an on-time departure."

The reaction through the plane wasn't pretty. We're nearly three hours late and NOW they are concerned with an on time take off. It was incredible, but an uncaring employee managed to make a bad situation even worse.

Three days later I was catching a United flight for Chicago out of a small Midwestern city. Thanks to changeable weather our flight was on, then off, then on, then off. Every time we started boarding, the process stopped one minute later.

Our gate attendant was enjoying the moment as little as we were. So he grabbed his microphone and told us a joke about air traffic control in Chicago. He nearly got a standing ovation.

In truth, there was very little difference between the two experiences. In both cases, my fellow passengers and I were inconvenienced and very unhappy. In both cases our plans were thrown askew. But in one case, we flew thinking that our Delta flight attendant didn't have a clue why we were so upset. In the other, we left applauding a gate agent for United. Which is hardly a regular occurrence.

So ask yourself about your employees and how they talk to shoppers. The simple truth is that frequently we have to tell people something they don't want to hear. Sometimes a product is out of stock. Sometimes there are food safety issues. Sometimes...well, = anything can happen.

The question is, do we let our people use their best judgment and recognize why a shopper may be upset. (Okay, maybe jokes aren't always the way to go, but there are plenty of other ways to tell the truth.) Or do we give them a card to read and watch them tell a planeload of people who are long delayed that somehow it is now their fault. Sadly, I'm betting we do the latter way too often.





Our people can only be as good as we let them. Believe me, United Airlines rarely bowls me over with customer service. But one young man gave me reason to rethink that position. (Or course, he also asked me not to name the location for fear that United would scold him for the very harmless joke ... so maybe things haven't gotten better.) It's worth thinking about.

One more thing...

Words can cause problems in many forms, especially in writing. Recently I was taken aback by a beautiful sign in a Whole Foods that listed five compelling reasons why shoppers should buy locally grown produce. There was just one very big problem: The store was in suburban New York and the produce above the sign came from California, Mexico, Chile and Argentina.

I guess local is a relative term. Argentina is closer than, say, Mars.

Michael Sansolo can be reached via email at msansolo@morningnewsbeat.com.

E-conomy Beat: Transparency Sprouts In Southwest US

Phoenix-based Sprouts Farmers Market, with more than two dozen stores in Arizona, California and Texas, announced yesterday that it has launched a new and revamped website that is designed to provide "customers with a friendly, easy-to-use format enabling them to view Sprouts weekly ads, access health information, healthy recipes, and sign up online for events and lectures.

"The website, designed to help customers achieve vitality and maximum health, includes tools that provide customers with a better shopping experience through educational resources. Customers can access information on topics including natural remedies to help combat fatigue, ease allergy symptoms, manage menopausal symptoms with holistic methods and improve digestion."

Save-A-Lot Sees Strong Growth During Economic Downturn

The *St. Louis Post-Dispatch* reports that Supervalu-owned Save-A-Lot, which specializes in a no-frills, discount-driven shopping experience, seems to be perfectly positioned to capitalize on current economic difficulties being suffered in the US. And the numbers seem to back this conclusion up – Willard Bishop Consulting says that limited assortment/discount stores saw their sales increase by 16 percent as traditional supermarkets went up three percent. Big difference.

"These basic grocers keep costs down by utilizing smaller stores with lower employee costs and limiting inventory to products that customers most often purchase," the *Post-Dispatch*. "Despite the sometimes Spartan selection, cost conscious consumers are flocking to the stores."

However, the story also notes that despite the growth in sales, some consumers have a blind spot for the format. In St. Louis, for example, where Save-A-Lot has 26 stores, the chain found that many consumers either didn't know about Save-A-Lot or were not aware of its strategic positioning ... and so it has launched an aggressive marketing campaign designed to heighten its visibility there.



Tesco Developing New Low-Cost Private Label Line

In London, the Sunday *Times* reported that Tesco is developing a new line of private label products that are designed “to tackle the so-called Aldi effect which has seen thousands of hard-pressed families defect to the German discounter. The top-secret project, which is due to be unveiled in the autumn, aims to drive down prices of hundreds of items in the grocery giant's standard own-brand range.”

According to the story, “Tesco said this weekend that it was too early to discuss the own-brand project, but confirmed it was examining ways to ‘make things easier’ for customers affected by the credit crunch and that would involve looking closely at own brand.

“Tesco's own-brand products fall into three ranges: Value, at the budget end, Finest, a premium brand, and standard products in between. The chain's research has found that 80% of customers regularly buy from the Value range, 70% buy from the Finest range and most cherrypick from both.

“Tesco is concentrating on ways to bring down the cost of its standard range significantly without compromising on taste.”

FastNewsBeat

- *Dow Jones* reports that “an outbreak of E. coli tied to ground beef expanded from Michigan and Ohio into three other states ... Kentucky, Indiana and New York each confirmed one case of E. coli infections shown to be identical to the strain which already sickened 41 people in Ohio and Michigan, the Centers For Disease Control and Prevention reported.”
- The *New York Times* writes about Safeway's O Organics and Eating Right brands, which it says “are moving in a different direction. Both were built much more like name brands than like store brands — in fact, both were supported by national television and print advertising. And more recently, Safeway has initiated the Better Living Brands Alliance, with the highly unusual goal of selling these two store-brand lines in places other than the chain that created them — school cafeterias, foreign markets and, ultimately, other U.S. grocers. In the judgment of the trade publication Refrigerated and Frozen Foods Retailer, which recently named Safeway as its retailer of the year, the experiment is ‘breaking the mold on what we all thought we knew about private label.’”

The MNB Wal-Mart Watch

- The *New York Times* reports that NBC Universal has signed a multimillion dollar deal with Walmart that will have the retailer's commercials appearing in what are being called “momtourage” segments that are designed to help people be better parents.

The “momtourage” segments will appear in a number of NBC Universal venues seen as being family-friendly, such as the “Today” show, the iVillage website, and the Oxygen cable network.



The Balance Sheet

- Safeway yesterday said that its second quarter net income was \$243.3 million, up seven percent from \$218.2 million during the same period a year ago. Q2 sales were up three percent to \$10.12 billion, on same-store sales that were off 0.3 percent.

The company's stock plunged 11 percent during the day, or \$3.32, to \$26.69.

- C-store chain Couche-Tard said that its fourth quarter profit was off by a whopping 53.6 percent, down to \$15.5 million from \$33.4 million during the same period a year ago – a decline that it attributed to lower fuel margins in its US operations. Sales, on the other hand, were up 25 percent to \$3.71 billion – an increase that the company attributed to higher fuel prices.

Executive Suite

- FreshDirect, the New York City-based pure play Internet grocer, announced that the company chairman, Rick Braddock, will become the company's new CEO, succeeding Steve Michaelson, who has departed to become the chief marketing officer at Supervalu.