



*-Week Ending 7/25/08-*

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Thanks to MNB  
for this selection of  
articles.

## Sunflower Markets Looks To Shine On Both Price & Quality

Interesting piece in *Business Week* about Sunflower Farmers Market, which it describes as "the fast-growing chain of grocery stores in five Western and Southwestern states (that) specializes in produce, much of it organic, bought directly from farmers and sold at almost Walmart-like prices."

The story notes that Sunflower CEO and co-founder Mike Gilliland – who also founded Wild Oats – wants to do more than just provide a lower cost alternative to Whole Foods: "His prices, and the weekly Sunflower sales advertised in the newspaper beside the local supermarket ads, are an attempt to lure consumers at the middle-to-low end of the market. The potential genius of Sunflower is its appeal to consumers at both ends of a market that's increasingly split between low-cost big-box stores and wholesale clubs on one end, and high-end retailers at the other."

The chain's tag line: "Serious Food, Silly Prices."

*Business Week* writes: "There's a reason Gilliland thinks Sunflower will do well against his longstanding rival. The company's farmers-market format is based on a California chain called Henry's Market, one of the many companies Gilliland had acquired when he was Wild Oats CEO. As his company and Whole Foods expanded, he increasingly found his stores under pressure ... But stores based on the Henry's Market format competed well because they were less intimidating to the casual natural-foods shopper and appealed to the demographic that didn't want to pay for the glitz of a natural-foods superstore."

## In-Store Medical Clinics Declining For First Time

The *Wall Street Journal* has a piece this morning in which it notes that a new study by research firm Merchant Medicine suggests that for the first time in years, the number of in-store health clinics has declined in the US, from 981 to 969.

Part of the problem seems to be initial business losses that are weeding out some of the players in the field.

However, the *Journal* reports, "retailers who back clinics in their own stores are more willing to endure the initial losses that go with setting up the clinics. And the continued expansion by retailer-owned clinics is likely to mean overall growth in the field will continue. Walgreen, for example, plans to add hundreds of company-owned in-store clinics by the end of the year."





## Minyard Sells More Than Half The Company To Grocers Supply

The investment group that acquired Minyard Food Stores from the founding family in 2004 announced that it is selling 37 stores and its Hispanic-focused Carnival brand to Grocers Supply Co., which owns Fiesta Mart.

Terms of the deal were not disclosed.

The *Dallas Morning News* writes that Minyard's "market share has been shrinking in the face of growing pressure from larger chains, including Walmart Stores Inc. and Kroger Co. Minyard president and chief executive Mike Byars said the company faced a challenge in running three brands: Minyard, Carnival and Sack 'n Save."

According to the story, "The deal involves 23 Carnival stores, five Minyard stores and nine Sack 'n Save stores. Minyard retains 21 stores, and it will convert the remaining Sack 'n Save stores and a Plano Carnival store to Minyard's ... Houston-based Fiesta, Carnival's main competitor, will take on 11 of the 37 acquired stores, and it plans to maintain the Carnival brand, Mr. Byars said.

"Fiesta operates 15 stores in the area.

"Other members of Houston's Grocers Supply Co., a food wholesaler that owns Fiesta, will get the rest of the stores. Grocers Supply was unavailable for comment."

## "Trading Down" Having Broad Impact On Food Industry

Interesting analysis in the Minnesota *Star Tribune* about the impact of the current economic decline on how people shop for food. The paper notes that many believed that consumers looking to save money would simply eat out less and spend more of their money at supermarkets for eat-at-home meals ... and that price increases at retail would be absorbed by these shoppers without too much resistance, mostly because they pale compared those occurring in restaurants.

But it hasn't happened that way. As consumer prices have increased - five percent in the past year - "in response, people are buying cheaper, generic products instead of the more expensive national brands. They're also buying more items on sale, and using more coupons," the *Star Tribune* writes.

This "trading down" means that retailers are having to focus more on value brands and private label products - and companies ranging from Supervalu to Safeway to Costco are warning financial analysts that they will not be meeting expected and projected profit numbers for the year.

## News From The Bag Ban Front

- The *Baltimore Sun* reports that "legislation that would have made Baltimore the second city in the nation to ban plastic bags at grocery stores and retail chains was killed by the full City Council last night. Intended to keep plastic bags from clogging waterways, the proposal would have required large stores - those with \$500,000 or more in gross revenue - to bag groceries in paper or reusable bags only. Days after it was approved by a committee, the full council voted against the proposal, 11-3."

- The *Seattle Post-Intelligencer* reports that "Seattle city officials...moved a step closer Tuesday toward becoming one of the few major American cities to discourage paper and plastic bags in favor of reusable bags, and to ban polystyrene food and drink containers.

"The full City Council is expected to vote on the proposals Monday that were passed Tuesday by a committee. If adopted, the new legislation will launch a 90-day campaign to educate residents and shoppers before the 20-cent per bag fee goes into effect on Jan. 1.





"The ban on plastic foam food take-out containers and cups also will take effect that day, if approved. However, a ban on plastic meat trays will be delayed for a year, allowing stores time to figure out alternatives."

- The *Los Angeles Times* reports that "the Los Angeles City Council voted Tuesday to ban plastic carryout bags in the city's supermarkets and stores by July 2010 -- but only if the state fails to impose a 25-cent fee on every shopper who requests them. Council members said they hope an impending ban would spur consumers to begin carrying canvas or other reusable bags, reducing the amount of plastic that washes into the city's storm drains and the ocean."

## Food Lion Rolls Out Guiding Stars Nutrition Labeling Program

The *Charlotte Business Journal* reports that Delhaize-owned Food Lion has begun to roll out the Guiding Stars nutrition labeling program that has been used to great success at the company's Hannaford and Sweetbay chains.

The system uses a proprietary algorithm to analyze every product in the store, and then awards one, two or three stars to products that qualify as good for you, better for you and best for you. Hannaford has said that sales of starred products have grown more significantly than similar products that did not earn stars.

## Sansolo Speaks: Two Birds, One Stone

by Michael Sansolo

Unintended consequences usually come when we least want them. By solving one problem, we find that two or three others - sometimes worse - get created. Yet, every now and again, the solution to one problem brings benefits in an entirely different direction.

For instance, consider the idea for changing retirement that comes from a new book reviewed this past weekend by the *New York Times*. The book, called "Working Longer: The Solution to the Retirement Income Challenge," poses the question of whether Baby Boomers will and should postpone retirement to accumulate the money necessary to fund life in a period of growing longevity. It's not a small question and one that certainly deserves attention as Boomers face up to the implications of insufficient savings, falling housing prices and consumer debt of all forms.

Postponing retirement by just three years, the authors argue, could drastically impact the financial fortunes of many soon-to-be retirees. And just to show that the authors aren't talking about wild changes, the suggestion they make is that Americans work to push the average age of retirement to 66 from 63 today.

But it also connects beautifully with the companion issue of the knowledge and labor drain likely to follow the massive retirement of the Boomers, which is expected to build to tidal wave strength over the next decade.

In fact, Mark Bartholomew of Profiles International, a consultant working with me on FMI's new Future Connect conference (that's the full disclosure there) highlights longer careers as the single best way companies can address the coming labor crisis. Trading off reduced hours and responsibilities with reduced salaries could be a win-win for workers looking to extend their careers, while reducing their daily pressures. As increasing numbers of companies become aware of the incredible impact Boomer retirements are going to have, an innovative approach to managing the end of careers might provide an immense amount of relief.

It's not the only win-win. Terry Soto, a leading consultant on issues facing the Hispanic population (and a long-time friend of mine) talks about the increasing importance of that part of the population. At a time when qualified workers are harder than ever to find and retain, industries - particularly the supermarket industry - cannot afford to give this burgeoning population group anything but its best opportunities. But none of this will come easily. It's more than learning Spanish, which many of us would be well served to do. It's about understanding cultural differences and reaching out in neighborhoods and population groups that are currently as foreign to many of us as a Facebook.com message board.





Here again, the win-win is pretty compelling. As Hispanics continue to make up a growing part of the population, winning their shopping dollars will become more important than ever. Lou Dobbs might fulminate at the Presidential candidates' overtures to Hispanic community groups, but the simple truth is that appealing to 14 percent of the population is something candidates and retailers must do. Attracting Hispanics into retail and manufacturing companies and moving them into management is a great way to better understand, better serve and better win over this market.

It won't happen easily and it won't happen without effort. But as the great sage wisdom reminds us, necessity is usually the mother of invention. When it comes to our work force, the necessity is clear and the inventions may be well within our grasp. If we grab them, that is.

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## E-conomy Beat: Web Shopping On Rise As Gas Prices Increase

The *New York Times* has a story saying that "more Americans are trading in their car keys for a keyboard" and that "online shopping is gaining at a time when simply filling up a gas tank to head to the mall can seem like a spending spree." And many retailers – including Nordstrom, Target and Macy's – are using free shipping promotions to encourage the move to Internet shopping.

"Retailers are walking a fine line in encouraging online sales," the *Times* writes. "Of course, they are happy to attract more shoppers to their Web sites, but not at the expense of in-store sales — an important measure for investors. Then again, the Web can drive in-store business, whether shoppers go into a store to return an online purchase or whether they buy an out-of-stock item through a computer at the store."

Still, the numbers are compelling, with some of these retailers seeing double-digit sales increases online even as they are seeing decreases in their brick-and-mortar shops.

Forrester Research projects that Internet will exceed \$200 billion this year, up from \$175 billion in 2007.

## FastNewsBeat

- Costco Wholesale said yesterday that because of increased energy prices that have increased its costs, made fuel sales less profitable and also inhibited shoppers' purchasing power, its earnings this year will be "well below" analysts' estimates.

The announcement comes after similar statements by Supervalu and Safeway, both of which have said that profit won't meet projections.

- The *Wall Street Journal* reports this morning that a fuel price war has broken out in the UK among some of its biggest grocers, with Tesco, Walmart-owned Asda and William Morrison Supermarkets all cutting per-liter gasoline prices over the past few days. Tesco's cut included an even deeper discount for consumers who use its Clubcard loyalty program.

- *Dow Jones* reports that Tesco's UK market share fell slightly in the last quarter from 31.5 percent during the second quarter a year ago to 31.3 percent this year. Walmart's Asda Group saw its share grow to 16.9 percent from 16.7 percent a year ago. Sainsbury's share of the market was down from 16.2 percent a year ago to 15.9 percent this year, while William Morrison Supermarkets saw its share grow from 11.1 percent to 11.3 percent.



## The MNB Wal-Mart Watch

- The *Financial Times* reports that Walmart, long anti-union in the US, “has completed collective bargaining agreements with unions in two Chinese cities.” The story notes that the retailer was under pressure from the government to make the deals, since the unions are actually government-approved.

However, *FT* also notes that “the agreement in Shenyang locks in an 8 per cent pay rise both this year and next for Wal-Mart employees, a company spokesman and union officials told the *Financial Times* on Thursday. By comparison the average hourly wage in Wal-Mart’s US stores, which are not unionised, has risen 12 per cent since January 2005, from \$9.68 to \$10.86 ... Employees in Quanzhou, who formed the first Walmart union in August 2006, secured a similar increase in an agreement signed on Wednesday. More than 48,500 people work at 105 Wal-Mart stores across China. All have been unionised over the past two years and their representatives are negotiating collective contracts with management.”

- Walmart’s membership warehouse Sam’s Club division announced yesterday that it will offer college students a special membership tier – one-year for \$40, with a \$15 gift card included, for people with a valid college ID and college email address. In addition, the membership will include a free second card for students to give their roommates or friends.

The goal of the tactic is to increase membership fees, the growth of which the company said last year was not meeting expectations.

## The Balance Sheet

- Supervalu Inc. announced that its first quarter net profits were \$162 million, compared to \$148 million during the same period a year ago.

First quarter retail food net sales were \$10.3 billion compared to \$10.4 billion last year, a decrease of 0.7 percent, which the company said primarily reflected the impact of store closures and identical store sales of negative 0.9 percent. First quarter supply chain services net sales were \$3.0 billion compared to \$2.9 billion last year, an increase of 4.6 percent, primarily reflecting the pass through of inflation, new business growth and lower than normal customer attrition.

- Weis Markets said that its second quarter earnings were down 29 percent to \$12.8 million, from \$18.2 million during the same period a year earlier. Q2 sales were up four percent to \$603.4 million, on same-store sales that were up 4.3 percent.

## Executive Suite

- Becky Skaggs has been promoted to Vice President of Strategy and Consumer Insights at Haggen, Inc., the 33-unit chain operating in Washington and Oregon.

A longtime company officer and member of Haggen’s executive team, Skaggs is responsible for many of the company’s strategic projects, market and consumer research, consumer affairs and public relations.