

- Retail Industry News from IRI for Week Ending 7/27/07-

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Thanks to MNB
for this selection of
articles.

In-Store Clinic Business On Fast Growth Track

US News and World Report, in a story about how in-store medical clinics are gibing the mainstream medical profession "heartburn," notes that at least one estimate – by the California Healthcare Foundation – suggests that there will be as many as 5,000 in-store health clinics operating in the US by 2012. This would represent significant growth from the fewer than 300 that were open in the US at the beginning of 2007, and the more than 700 expected to be open by the end of the year.

The American Medical Association (AMA) has been objecting to the clinic concept, saying that patients may not be receiving the best care because of a conflict of interest. The AMA says, according to *US News*, "that the pharmacy chains that have joint ventures with clinic businesses have an inherent self-interest in seeing that drugs are= prescribed and prescriptions filled at their store."

However, the magazine notes, at least one of the clinic companies says that it has addressed the problem. Kent Lillemoe, CFO and CVS-owned MinuteClinic, says that only half of clinic patients even get a prescription: "Lillemoe says the company doesn't track whether the prescription is filled at CVS or indeed is filled at all. 'That's part of our firewall,' he says. 'We don't think it's appropriate for us to know'."

E-conomy Beat

- Albertsons LLC said last week that its relaunched website, www.albertsonsmarket.com, has been retooled to include detailed product recall information in a new Consumer Information Center, as well as comprehensive health and nutrition information provided by Healthnotes. The latter section, according to the company, is called "Health Matters" and it offers "breaking news about health and diet, information about vitamins, minerals and supplements, explores various diet plans, (and) finds tasty, heart-healthy meal recipes."

Albertsons LLC Extends Services Agreement With Supervalu

Albertson's LLC announced yesterday that it has extended its two-year Transition Services Agreement with Supervalu through June 2009, with an option to extend it yet again through 2011.

The original agreement – which provides infrastructure services to Albertsons LLC – was signed in June 2006 when the two companies split up Albertsons' retail assets. According to a statement released by the company, "The purpose of a transition services agreement is to provide Albertson's LLC with the necessary services to continue operations of its stores as the company strengthens the business and drives towards operational independence.

Albertson's LLC is privately owned and operates over 350 stores under the Albertson's banner in Arizona, Arkansas, Colorado, Florida, Louisiana, Nebraska, New Mexico, South Dakota, Texas and Wyoming.

Its Image Sullied On Earth, China To Bring Astronaut Food To Supermarkets

USA Today reports this morning that the Chinese space agency and a Shanghai food manufacturer have joined to create a line of astronaut foods that will be marketed in supermarkets there by the end of the year. The products are said to be especially suitable to bring along on camping trips and other outdoor activities.

According to the story, the two organizations "have developed more than 60 space dishes — including meat, vegetables, starches and desserts — for the country's space program, only the third in the world to launch a human into orbit."

The announcement comes as the Chinese government looks for ways to regain lost respect for its food industry after a series of safety scandals caused global questions about food products and ingredients exported by Chinese manufacturers.

Among the specific products to be sold: roast pork, stewed duck, cantaloupe chips and taro-stuffed mooncake.

Save Mart Opens Four Lucky Stores

Save Mart Supermarkets announced that it has opened its first four Lucky stores in the San Francisco Bay Area this week, noting that the newly renovated stores will be "true to the Lucky brand" and "will provide Bay Area shoppers with a broad selection of fresh, high quality products at the most competitive prices offered by a full service supermarket. These are the first of 72 Albertsons stores acquired by save Mart in the region that are being converted to Lucky stores, resurrecting a brand name that was dumped ignominiously by the old Albertsons regime.

However, the openings occur under something of a legal cloud, as management at Grocery Outlet has said that despite Save Mart's plan to reintroduce the Lucky name, it intends to continue pursuing its legal case claiming ownership of the brand, which it believes Albertsons let lapse for too long a time.

According to a press release sent out by Save Mart, "Lucky has chosen this occasion to introduce a new item that will be carried in its stores—reusable, recyclable plastic handle bags, which are made from recycled plastic. The bags are the first reusable plastic grocery bags available in the city and they will soon be available in all Bay Area Lucky stores.

"Lucky will provide a limited number of the reusable bags free of charge to customers over the next few days. The bags will then retail for 25 cents each. Customers will receive 5 cents back each time they bring the reusable bag to a Lucky store. Since customers will be able to use a single bag at least 20 times, at 5 cents per reuse, they can actually earn money on these bags."

The bags are designed to conform to the San Francisco Plastic Bag Reduction Ordinance, which requires grocery stores to provide only reusable and/or compostable plastic bags to customers at checkout.

D'oh!

ABC News - as well as a host of other news outlets – has a story about how "for the past three weeks, 7-Eleven has transformed 12 of its convenience stores into caricatures of the Kwik-E-Mart widely recognized as a staple of the cartoon family's fictional town, as part of a promotion for the soon-to-be-released 'The Simpsons Movie.' The stores have been carrying boxes of KrustyO's cereal, Buzz Cola, pink doughnuts and special edition 'Radioactive Man' comic books. The convenience store also renamed its Slurpee frozen drinks 'Squishees'."

According to the story, "Fans of the hit TV show seem to be jumping at the chance to buy the other once-fictional products. The number of customers to walk through the doors at these special stores has roughly doubled, as have sales, according to the company.

"Since the promotion started July 2, more than 960,000 cans of Buzz Cola have been guzzled up.

"Maybe fans were washing down their pink 'Sprinklicious' doughnuts, the type favored by Homer Simpson. The convenience store chain has sold more than 880,400 of the doughnuts nationally in the past three weeks.

"The company has also sold 1.1 million Simpsons' Squishee-Slurpee cups.

"In total, the convenience store chain has sold more than 3.4 million units of Simpsons merchandise and generated 64.3 million clicks on its Web site, through Sunday. The promotion ends July 31."

The End Of Western Civilization Is At Hand

Many wine drinkers – including the Content Guy – were just beginning to get comfortable with the idea of screw caps on wine bottles, trying to get over a bias toward cork and the inimitably romantic sound of the cork being removed from a bottle of wine.

But now, in the UK, *The Telegraph* reports that Sainsbury is going to be testing the next innovation in wine packaging – plastic bottles, which the chain claims "are more environmentally friendly and will bounce, rather than smash, if dropped on the floor."

According to the story, "While it has been possible to buy wine in plastic containers before, Sainsbury says this is the first time the bottles have been made to look identical to traditional glass bottles." Initially, the test will include both own label and branded wines from New Zealand and Australia...where, the story points out, plastic wine bottles have been used for some time.

Haggen Completing Two-Year Remodeling Binge

The *Seattle Times* reports that Haggen, the Washington State-based supermarket retailer, "is near the end of a two-year hiatus from opening new stores, spending tens of millions of dollars to remodel several existing locations instead." According to the story, company executives "thought the older stores could do considerably more business if they were overhauled." The remodels have been taking place at both Haggen stores and the company's Top Food & Drug units.

Company CEO Dale Henley tells the *Times* that Haggen expects to begin opening new stores again in 2008.

Hy-Vee To Open Two New Stores In "Show Me State"

In Missouri, the *Columbia Tribune* reports that Hy-Vee plans to open two new stores in the area, taking over both a former Wal-Mart site and a former Mega Market store.

"It's a good market for us, and we've been looking for quite some time," Hy-Vee spokesperson Chris Friesleben tells the paper. "The stars just lined up correctly, and we ended up with two properties."

The stores are expected to be open within a year.

The MNB Wal-Mart Watch

- The *Washington Post* reports that Wal-Mart plans to cut prices on some 16,000 back-to-school related products and launch a new ad campaign that will depend less on its old "smiley facer" character and more on "testimonials" by actors playing customers.

"We'll continue to be more aggressive on pricing and already are working with key suppliers on upcoming plans for fall and holiday," said Bill Simon, Wal-Mart's COO for its US stores, said in a prepared statement.

The goal – explicitly stated or not – is to not make the same mistake as last year, when Wal-Mart unsuccessfully tried to compete with Target in the "cheap chic" arena.

- The *Wall Street Journal* this morning reports on how Wal-Mart's environmental consciousness and sustainability efforts are having a variety of impacts among the shrimp farmers of Thailand.

"The destruction of mangrove swamps and the pollution of natural waterways with waste from shrimp ponds has long drawn the ire of environmentalists, but in the past two years, Rubicon Resources LLC, a Los Angeles-based supplier of farmed shrimp to Wal-Mart, has bought and upgraded roughly 150 Thai shrimp farms," the *Journal* writes. "Among Rubicon's changes: increasing the testing and documentation of what is in its ponds, planting mangrove elsewhere to make up for the trees destroyed by its farms and standardizing treatment of the water discharged from its ponds."

Which all sounds great. Except that there is an economic component as well, and the suggestion that all the new mandates may not be driven by purely environmental motives. The *Journal* writes, "An estimated 80% of Thai shrimp farms – most of them small operations run by families living on-site -- either lack the resources to make necessary upgrades or balk at the certification fees as costs they likely won't recover. That could widen the gap between the haves and have-nots in Thai shrimp farming and

world aquaculture as a whole, providing a greater advantage to large, well capitalized suppliers like Rubicon.”

Some critics “see the standards fueling a continuing consolidation of the industry,” according to the story. “Wal-Mart prefers to buy from fewer, stronger suppliers with control over all phases of production. Rubicon, for example, owns 14 seafood processing plants, roughly 150 farms and importing and exporting operations.”

- In the UK, Wal-Mart’s Asda Group reportedly has decided to make its George line of clothing for men, women and children available online for the first time, beginning next February. The company says that it is responding to customer requests for the brand, which has been highly successful for the company.

The Balance Sheet

- Weis Markets reported Q2 net income of \$18.2 million, compared with \$15.5 million during the same period last year. Revenue increased three percent to \$578.8 million, while same-store sales increased 3.2 percent.
- Supervalu reported yesterday that its Q1 profit was \$148 million, up dramatically from the \$87 million generated during the same period a year ago. Sales for the period more than doubled to \$13.3 billion.

The strong performance was attributed to the company’s acquisition of many of Albertsons’ assets a year ago.

- McDonald’s declared a second quarter loss of \$711.1 million yesterday, down from a Q2 profit of \$834.1 million during the same period a year ago, and only the second-ever loss in the company’s history. Q2 revenue climbed 12 percent to \$6 billion, from \$5.36 billion a year ago.
- PepsiCo said that its second quarter profit was up 13 percent to \$1.56 billion, from \$1.38 billion a year earlier. Revenue rose 10 percent to \$9.6 billion from \$8.71 billion last year.
- Amazon.com, based largely on its sales of the final Harry Potter novel, said yesterday that its second quarter net income more than tripled to \$78 million compared to the same period a year ago, as Q2 sales rose by 35 percent to \$2.89 billion.

Executive Suite

- The Kellogg Co. has named John Bryant, the company’s CFO, to be executive vice president of Kellogg Co. and president of Kellogg North America; Bryant will retain the CFO title.

Kellogg also named Jeffrey Montie, executive vice president of Kellogg Co. and president of Kellogg North America , to be the new executive vice president of Kellogg Co. and president of Kellogg International.

- In the UK, Tesco has hired Lance Batchelor, former marketing director at Vodafone, to be its new marketing director. He succeeds Ian Crook, who moves over to Tesco’s online business.