



-Week Ending 7/31/09-

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Thanks to MNB
for this selection of
articles.

Analyzing Whole Foods' Recession Strategy

Interesting piece in *Slate* looking at how Whole Foods has been grappling with the recession. Some excerpts:

- "If Whole Foods were perishable, it probably would have expired this past year. But instead, it has done surprisingly well, holding its own as a high-end food spot in what's now been a yearlong assault on any store considered expensive. While its most recent earnings report wasn't dazzling – revenue compared to last year's was flat – it wasn't dismal, either. And many analysts are predicting increased sales to be announced in the earnings report next week."
- "So what's kept Whole Foods healthy? 'We have shown that we can adjust if we have to,' co-president and COO A.C. Gallo said in May. The ever-expanding grocer has markedly scaled back and is opening only half the stores it had planned for 2009 ... Whole Foods is shifting away from the mega-mart model and focusing instead on opening smaller, less labor-intensive stores."
- "Instead of hunkering down and holding out for the economy to recover, Whole Foods began to experiment with ways of convincing America that it was, in fact, an affordable place to shop, without actually slashing prices storewide."

Walmart Considers In-Store Swine Flu Vaccination Sites

Reuters reports that Walmart is negotiating with the US Centers for Disease Control and Prevention (CDC), considering the possibility that H1N1/swine flu vaccination centers could be located in some of its stores.

"We are in discussions with CDC (U.S. Centers for Disease Control and Prevention) and others in local and state departments to see what role we might play," Dr. John Agwunobi, president of health and wellness for Wal-Mart U.S., said at a public health conference in Orlando. "It might be we are a site. It may be help with logistics and with supply chain."

According to the story, "U.S. health advisers have said about half the U.S. population should be vaccinated against H1N1 influenza. Up to 160 million doses of flu vaccine will be available for the start of the campaign in mid-October."





Weis Expands Price Freeze Program

Weis Markets yesterday announced it has implemented a third 90-day price freeze on 2,600 of its staple items – including includes private label and brand name products in center store, frozen, dairy, produce, meat, deli and bakery - effective Thursday, July 30 through October 28.

"Given the current economic environment, our Price Freeze program continues to make sense for our customers. In many of the markets we serve, the unemployment rate continues to increase," said David J. Hepfinger, Weis Markets' president/CEO. "Our Price Freeze program has produced tangible savings for our customers over the past seven months. Since its initial roll-out in January, it has helped our customers save more than \$11 million."

Winners & Losers Defined In Recession Performance By Food Chains

The *Wall Street Journal* suggests that supermarket chains that have aggressively lower prices and marketed around the core notion of value – such as Kroger and Ahold - seem to be performing better, with stronger same-store sales increases, than those that have been "slow to reduce their prices" – it singles out Supervalu and Safeway.

According to the *Journal*, "In part, shoppers have been chasing bargains, visiting a variety of retailers and snatching up only low-priced goods. Now, about 1 in 3 shoppers buy exclusively items on sale, twice as many as 18 months ago, according to market research Information Resources Inc. As shoppers seek the best deals, retailers with low price reputations are posting strong same-store sales while other grocers are scrambling to find a new game plan."

Supervalu Sells 36 Utah Stores To Associated Food Stores

Supervalu announced yesterday that it will sell 36 Albertsons stores in Utah to Salt Lake City-based Associated Food Stores. According to the *Salt Lake City Tribune*, "Under the sale, Supervalu would receive \$150 million in after-tax proceeds."

According to the announcement, Dick King, vice president of Associated and a 36-year veteran of Albertsons where he served for a time as president/COO, will become president of the new 36-store division.

Associated Food Stores currently services over 500 independent grocery stores throughout seven Intermountain Western States. Companies in Utah such as Harmon's, Ream's, Winegar's and Kent's are members of the retailer-owned cooperative. The company also owns 22 stores operating under the Macey's, Dan's, Lin's and Dick's Market banners.

"We will drop prices on a significant number of items in the store and begin carrying the popular Western Family brand," said King in the official announcement. "In today's market, customers want top-quality products at a great price. Our first priority will be to deliver on both fronts."

In a memo to Supervalu employees, CEO Craig Herkert wrote that in view of disappointing second quarter numbers reported yesterday, it is critical for the company to "continuously take advantage of opportunities to strengthen our overall business. Unfortunately, this sometimes means selling stores that are not a strategic fit ... As you can imagine, the decision to sell any of our stores is not taken lightly. We understand that these transactions can significantly impact our associates and our customers. However, the sale of these stores will ultimately enable us to both pay down debt and drive growth in other areas of our business."

And, Herkert wrote, "The numbers clearly indicate that we are not, as a company, where we need to be in terms of sales results. Given that, we need to take immediate steps to reposition ourselves to better compete in today's marketplace."



Guiding Stars Gets Positive Review From Surgeon General's Office

Hannaford Supermarkets' Guiding Stars nutritional guidance program – which gives products that meet specific criteria one, two or three stars based on whether they are good, better or best for you – got a positive review yesterday at the Weight of the Nation conference in Washington, DC.

Acting Surgeon General, Rear Admiral Steven K. Galson, M.D., M.P.H., described Guiding Stars as an effective way to change consumer behavior, and as an example of a community initiative that can help improve the public's health through better nutrition choices.

Sansolo Speaks: SpongeBob and the Kissing Bandit

by Michael Sansolo

Living as we do in a world of choices, the only way any business can survive is to build a point of difference that matters to customers and constantly reinforces that difference in actions and words. That's a fairly simple statement, but delivery is anything but.

We here at MorningNewsBeat share that challenge and live with our simple truth: while we don't run a retail, wholesale or manufacturing company, we do run a business with more sources of competition for your time than you can imagine. Every day (for Kevin), every week (for me) we have to give you a reason to come back.

Which brings me to the 10-second kiss.

Last week, I wrote about an episode of "Oprah" that focused, among other things, on how couples could reignite their relationships by exchanging a 10-second long kiss each day. I suggested that business might want to think along the same lines, trying to find something small to do each day to win the hearts of customers time and time again.

I think I hit a nerve.

In fact, I have never gotten so many e-mails about anything I've written or said in a speech and, incredibly, every one of them was positive. As one reader so beautifully put it, that article was a clear demonstration of why she reads *MNB* daily. Because we try to give something beyond just the story; we try to give perspective, context and, frequently, the unexpected.

In short, it's our selling proposition that we cannot ever forget.

And that got me thinking of "SpongeBob SquarePants." Now the simple truth is that many more of you actually know about SpongeBob than might admit it publicly; and everyone who doesn't is at a loss.

SpongeBob is a cartoon on Nickelodeon that follows the silly adventures of a walking talking kitchen sponge and his friends and neighbors in the underwater town of Bikini Bottom. There's his dimwitted friend Patrick, his cranky neighbor Squidward and Mr. Krabs, the extremely frugal boss of the fast food restaurant where SpongeBob cooks. There's so much more that goes beyond description and quite honestly the goofiness of SpongeBob really doesn't lend itself to any kind of business lesson...except it does.

"SpongeBob SquarePants" just celebrated its 10th year on the air, which is no small achievement for any kind of television show. More shockingly, it is one of the highest rated cable shows ever and has grown into a global phenomena. The show is seen in 51 countries around the globe, meaning the kids in Israel and some Arab countries; India and Pakistan; China and Taiwan (I think you get the point) are all giggling to same stories. The United Nations should have such luck.

But if you watch it, you'll notice a couple of thing. First, it isn't a very high tech cartoon. The backgrounds are very simple as is the character animation. Rather than relying on technology, "SpongeBob" succeeds by offering up simple story lines that are incredibly funny for both kids and adults.





Most importantly, every episode you watch delivers on the same basic promise: It's guaranteed to make you laugh with delight.

In short, "SpongeBob" delivers that 10-second kiss. Every show is filled with energy and zaniness, as though it were the first of the series. Every story is filled with small delights to keep to watching all the way through. And by holding to that standard episode after episode, the creators of this little cartoon gem have turned a silly premise for a show into a marketing powerhouse.

Simply by delivering a delight each and every time.

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Private Brand Organics Gain Traction In Recessionary Economy

The *Wall Street Journal* reports this morning that "organic farmers and grocery retailers are embracing the idea of lower-cost, private-label products to retain newly budget-conscious consumers." Organic private brands accounted for almost 23 percent of all organic sales in the 52-weeks ending June 13, according to a Nielsen Co. study, compared to less than 14 percent during the previous year.

The trend reflects the reality that organic retailers – just like most other retailers - are trying to cater to cash-constrained consumer, and are working with suppliers and wholesalers to develop private brands that they believe will expand their appeal to shoppers.

FastNewsBeat

- The *Wall Street Journal* reports that "Kohlberg Kravis Roberts & Co. is in advanced preparations for an initial public offering of stock in Dollar General Corp." According to the story, the recession has been kind to Dollar General, and KKR is looking to highlight the discount retailer as a bright spot in its own portfolio of operations.
- In Illinois, the *Daily Herald* reports that Supervalu-owned Jewel-Osco "has opened its first Physicians Prompt Care Express, a physician-staffed clinic, at one of its stores in South suburban Orland Park. If successful, more such clinics could open and vie for the quick-access medical market now available at competitor Deerfield-based Walgreen Co."

The MNB Wal-Mart Watch

- *Crain's Chicago Business* reports that "hundreds of Wal-Mart supporters rallied Wednesday morning across the street from City Hall as members of a City Council committee tossed around a controversial plan that would pave the way for the retailer's second outpost in the city. The City Council Finance Committee is expected to consider an amendment, introduced by Alderman Howard Brookins Jr. (21st) in April, that would alter a development proposal to allow Wal-Mart Stores Inc. to build a store at 83rd Street and Stewart Avenue."

Meanwhile, the *Chicago Tribune* reports that the City Council committee considering the plan for a South Side Walmart has effectively delayed any decision by kicking it over to the Finance Committee...where there are no plans as yet to hold a hearing on the matter. Brookins said that that the delay would only cost the city needed jobs, and decried the procedural move.

Walmart only has one store open in the city, opened in 2006; it has long been fighting to open a second store, but is opposed by organized labor interests that are so influential in the Windy City.

- *Dow Jones* reports that Walmart Canada is suing the United Food and Commercial Workers (UFCW) over the union's use of trademarked company logos and slogans on its website, where the UFCW is trying to organize some of the retailer's employees.



The Balance Sheet

- Spartan Stores reports that its first quarter net earnings were \$6.9 million, compared to \$9.5 million during the same period a year ago. Consolidated net sales for the quarter increased to \$596.0 million from \$586.7 million in last year's first quarter.
- Supervalu Inc. said this morning that its first quarter sales were \$12.7 billion, down from \$13.3 billion during the same period a year ago, and net earnings of \$113 million, down from \$162 million a year ago.

According to the company press release, "First quarter retail food net sales were \$9.9 billion compared to \$10.3 billion last year, a decrease of 4.3 percent, primarily reflecting the impact of identical store sales of negative 3.2 percent and previously announced store closures. The identical store sales performance primarily results from a challenging economic environment, heightened competitive activity and additional investments in price and promotions ... First quarter supply chain services net sales were \$2.8 billion compared to \$3.0 billion last year, a decrease of 6.2 percent, primarily reflecting the on going transition of Target Corporation volume to self-distribution."

- Royal Ahold reports this morning that its second quarter revenue was the equivalent of \$9.17 billion (US), up from \$8.2 billion (US) during the same period a year ago.

The company said that same-store sales in its US divisions were up 1.7 percent at Stop & Shop, up 3.7 percent at Giant of Landover, and down 1.8 percent at Giant of Carlisle.

- Nash Finch said this morning that its second quarter net income was up 1.1 percent to \$9.5 million. Q2 sales were up to \$1.22 billion, from \$1.02 billion during the same period a year ago. Same-store sales, according to the company, were up 1.9 percent, excluding an acquisition and the shift of Easter to the second quarter in 2009 from the first quarter in 2008.

Executive Suite

- Price Chopper Supermarkets/Golub Corporation announced that Joe Brousseau, the company's Manager of Construction, has been promoted to the position of Director of Construction.