



-Week Ending 8/7/09-

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Thanks to MNB
for this selection of
articles.

Breaking News: Jobs Report Suggests Possible End To Recession

The *Wall Street Journal* at this hour reports that the US Department of Labor is saying that non-farm payrolls were down 247,000 in July – which was below the 275,000 decline that was expected. At the same time, the unemployment rate was down in July 0.1 percent to 9.4 percent – still a lot higher than the less than ix percent reported just a year ago.

"Though still a terrible loss by historical standards, the data suggest a turning point is at hand after job cuts earlier in the year that totaled as much as 700,000," the *Journal* writes. "The economy has lost 6.7 million jobs since the recession started in December 2007 ... recent data suggest GDP will start growing again this quarter. The Institute for Supply Management manufacturing index ticked higher in July and is now consistent with GDP growth of a little over 2%. Meanwhile, auto sales rose in July, spurred by the government's cash-for-clunkers program. Auto production to fill depleted inventories should propel GDP this quarter."

There remain concerns in some quarters that the unemployment rate could soon go above 10 percent, and that unemployment is likely to lag behind other indicators that the recession may be coming to an end.

Salvage Grocers Use Downturn To Build Sales & Traffic

In Minnesota, the *Star Tribune* reports on the growing, recession-fueled appeal of so-called salvage grocers, who sell food that comes in dented cans, crushed boxes and with expiration dates that have, well, expired. "People who frequent salvage stores do the bulk of their food shopping at traditional grocers, where dairy and produce are more plentiful and there is lots of variety for everything else," the paper writes. "A trip to the salvage grocer, they say, is more like a treasure hunt — what's available one week may not be the next time around."

As the economy has gotten worse, traffic at such retailers has increased ... which has led, perhaps inevitably, to increased prices as these grocers see a way to improve their margins. Their costs, of course, are low – they don't have much labor to pay for and their physical plants tend not to be prepossessing.

The *Star Tribune* says there currently are hundreds of salvage grocers operating in more than three-dozen states.





Whole Foods Adjusts Heading, Returns To “Healthy Living” Roots

The *Wall Street Journal* this morning reports that Whole Foods CEO John Mackey plans a corporate makeover that will return the retailer to its healthy living roots, moving away from the gourmet foods that fueled much of its growth over the past decade, only to create problems for the company when the recession hit.

In an interview with the *Journal*, Mackey said that he had concluded that the company had veered off course. “We sell a bunch of junk ... we’ve decided if Whole Foods doesn’t take a leadership role in educating people about a healthy diet, who the heck is going to do it?”

The company isn’t giving up on its recent efforts to improve its price image and move away from the “whole paycheck” label that has plagued it. Mackey tells the *Journal* that Whole Foods prices itself against Trader Joe’s wherever appropriate; he says it is harder to match Costco on price, so the company is looking to carry some large sizes that will help it compete.

The new healthy living approach will focus on cooking demonstrations and recipes, and the story notes that Mackey “brings a personal fervor to his latest mission. He lost 10 pounds in six months on a diet devoid of refined fats. While full details on the initiative will not be released for a few months, the company has assembled a team of health experts to develop a curriculum. An employee in each store will answer customers’ questions about food choices and provide reference materials.”

In addition, Mackey reportedly “is considering launching a program in October that would reward employees who hit targets for weight loss, quitting smoking and improving cholesterol and blood pressure. Employees who meet those targets could see their employee discounts on store merchandise rise to 30% from 20%.”

New Application Allows Consumers To Compare Prices On CPG Items

Amazon.com said yesterday that it has a new online shopping application, “Amazon App for Android,” which allows customers to either snap a photo or scan a bar code of virtually any product and make price comparisons across various channels. The application also allows consumers to keep track of favorite products, compile grocery lists, and even make purchases via Amazon.

Sansolo Speaks: A Tale of Two Videos

by Michael Sansolo

The Internet is capable of great moments and, sadly, far less. Just as a Twitter fueled rebellion in Iran catches our admiration, there are moments when the limitations are almost too much to bear. For instance, my mother (as wise a woman as I have ever met) has a bad habit of passing on e-mail pronouncements on all types of health issues to our entire family. And 90 percent of the time I have to respond - very politely - that once again mom has passed on a widely debunked myth.

It gets worse. My wife’s 87-year-old aunt has somehow taken to using Facebook. (Take that, teenagers!) Sadly, it doesn’t always work out well. For instance, we have no idea what she thinks LOL means, but it’s certainly not “laugh out loud.” (A recent note from this aunt: “sorry to hear that he needs surgery...LOL.” We’re hoping she means lots of love, but who knows.)

For business, appropriate use of these new technologies is even more critical. Myths, legends, lies and more can float unfettered on the Internet for days, completely slipping by unnoticed unless companies actively seek them. But the picture is also two-sided. An aggrieved shopper now has an incredible device to strike back when customer service and more fails to satisfy.

Luckily there are great examples, both good and bad, for companies to consider.





The bad comes from the easiest industry to mock: the airlines. Recently, a singing group from Canada headed out to the US Midwest to play a concert on United Airlines. While sitting in their plane, the band members noticed a problem: on the tarmac the baggage handlers were playing a version of football with guitar cases. You can figure out where the story goes.

When the band reached its destination the lead singer, Dave Carroll, wasn't surprised to find his guitar was broken. He appealed to United for help, but received none. So in protest he wrote a music video: "United Breaks Guitars." It's a really well done video and one you can watch right now on YouTube.com. Nearly 4.5 million people have already watched it and, not surprisingly, United has suddenly become helpful to Dave.

It's a painful lesson that the consumer no longer has to tolerate poor service and has a powerful weapon to fight back.

But the Internet also can be our friend. In a very different example, consider the convenience store chain Wawa, which is currently in the middle of its Hogiefest promotion. Now Wawa does an outstanding job with its sandwich program and any retailer who believes kiosks don't work needs to visit Wawa (or competitors Sheetz and Rutter's) to see how well kiosks can perform.

The story isn't the kiosk though. During Hogiefest, Wawa invites customers to submit videos about their favorite sandwiches for a chance to win free sandwiches for a year and a role in commercial. Visit the company's website to get a sense of what this contest produces, but the odds are very strong that "I love Wawa" (the second place original song) was much better received in corporate headquarters than "United Breaks Guitars."

And that, in a nutshell, is the new world. It's about people communicating like never before; fact and fiction, anger and praise. In truth, there is only so much we can do about the anger, although the United video gives us a powerful reminder to pass throughout our companies that the tolerance for poor service is lower than ever. (Keep in mind that United was wrong in how it handled the luggage and dealt with the customer complaint – it deserved everything it got.)

Then again, there is so much we can do along the lines of what Wawa is trying, opening up a new way to delighting, engaging and talking with our customers. There is so much we can do by finding ways to use YouTube, Twitter and Facebook to communicate to shoppers and associates and to help them communicate back.

When you consider the two paths, this pro-active one seems like the easiest choice ever. LOL...right?

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Weis Announces Local Produce Sourcing Initiative

Weis Markets announced the launch of its "Local and Proud of It" campaign, highlighting what the company calls its "commitment to offering a wide variety of locally grown produce" – as much as 20 percent of total produce sales in-season.

"For 97 years, we've purchased and sold local produce wherever we've operated stores," said Weis Markets President and CEO David J. Hepfinger. "This year, we expect to purchase 21 million pounds of local produce from nearly 150 local producers and co-ops in Pennsylvania, Maryland, New Jersey, New York and West Virginia.

"In challenging economic times, offering local produce makes even more sense due to the lower costs of bringing it to market compared to other parts of the country and the world. Closer proximity to markets also lessens the environmental impact."

In other departments, Weis Markets said, it continues to expand its Pennsylvania Proud Angus Beef program, which it launched last year. In its dairy case, its Weis Quality milk is supplied by dairy farms in Pennsylvania and Maryland while most of the eggs it sells are supplied by Sauder Eggs in Lancaster County.



Tesco, Asda & Sainsbury Waste Not...And Show Thought Leadership

The *Times* of London reports that Tesco has gotten to the point in the UK where 100 percent of its waste is going elsewhere than into landfills.

Tesco in the UK generates 531,000 tons of waste each year. About 385,000 tons is recycled, which leaves 146,000 tons that needs to be disposed of. But the company has been aggressive in finding alternative uses - unsold meat for example, is chilled and taken to a waste management company, where it is incinerated and turned into energy that drives generator turbines.

But there is a broader, better story – that Tesco isn't alone in its environmental initiatives. Walmart-owned Asda Group and Sainsbury have both made similar commitments, which is having a significant impact both on how waste is being disposed of as well as how environmental issues are being thought of.

FastNewsBeat

- Safeway announced that it is recalling ground beef sold between June 6 and July 14 in nine states, a move prompted by a recall by Beef Packers Inc related to concerns about a salmonella contamination scare.
- *Marketing Daily* reports that Bumble Bee Tuna is launching a new radio and in-store advertising campaign designed to hype the product's value and meal versatility.

According to the story, "The campaign is timed to run during the back-to-school shopping period, although there's no direct messaging link-in. The coincidence of kicking off just days after widespread media coverage of a new study showing mounting evidence of the cardiovascular benefits associated with fish oil's omega-3 fatty acids also couldn't hurt."

- Interesting piece in the *Wall Street Journal* about the previously reported decision by Procter & Gamble to develop a recession-mind version of its Tide laundry detergent – Tide Basic, which costs about 20 percent less than its traditional version and is a move away from the "new and improved" strategy that has been the centerpiece of product development for so many years.

According to the story, P&G execs agonized over the Tide basic decision, fearing that it could cannibalize sales and erode brand equity...but they finally decided that the basic version could balance Tide's premium prices and shore up a mildly eroding market share.

The MNB Wal-Mart Watch

- The *Kansas City Star* reports that Arvest, the Arkansas bank worth \$10.7 billion, has broken into the Kansas City market through the acquisition of three branches of the Harrington Bank there.

And why is this relevant? Because Arvest is owned by the family of Walmart founder Sam Walton.

The deal has to be approved by federal regulators, and Arvest has said it plans to grow through expansion and possibly additional acquisitions.

- If you happen to be in a Walmart parking lot this summer and notice an RV parked there, there is at least a remote possibility that the driver is Supreme Court Justice Clarence Thomas.

His wife, Ginni Thomas, told *National Public Radio* this week that the couple has been using their RV to drive around the country for the last 10 summers...and when they don't need to plug in at a local campground, they like to spend the night in Walmart parking lots.

"We have found it's a wonderful life," she said.



The Balance Sheet

- BJ's Wholesale Club said that its July sales decreased by 6.3 percent to \$722.5 million from \$771.3 million in July 2008. Same-store sales were off by 9.1 percent.
- Target Corp. said yesterday that July sales fell three percent to \$4.42 billion, on same-store sales that were down 6.5 percent.
- Dollar Tree Inc., reports that its Q2 sales rose 11.9 percent to \$1.22 billion from \$1.09 billion, on same-store sales that were up 6.8 percent.
- Delhaize said that its second quarter profit was up eight percent to the equivalent of \$179.6 million (US), on sales that were up 14 percent to \$7.3 billion (US).
- Costco reported that its July sales were down five percent to \$5.41 billion, on same-store sales that were off seven percent overall (down eight percent in the US and five percent in global stores).
- 99 Cents Only Stores reported that its first quarter sales were up nine percent to \$332.1 million, on same-store sales that were up 23.6 percent. Q1 profit was \$9.5 million, up from a loss of \$1.5 million during the same period a year ago.
- Walmart de Mexico announced that its July sales were up 11 percent to the equivalent of \$1.63 billion (US), on same-store sales that were up 4.6 percent.