

## **- Retail Industry News from IRI for Week Ending 8/10/07-**

---

*Below is the list of articles you will find for the week ending 8/10/07 edition of Retail Industry News.*

- ▶ **More About Amazon's Grocery Business**
- ▶ **Study On Muslim Marketplace In US Points To Real Opportunities**
- ▶ **MNB's Tales Of Tesco**
- ▶ **The New Cost Of Some Prescription Drugs At Publix: Zero**
- ▶ **Felpausch Stores To Be Remodeled, Renamed by New Owner Spartan**
- ▶ **Wal-Mart Hires HHS Expert To Run Its Health & Wellness Units**
- ▶ **Kroger Expands Private Label Organic Line**
- ▶ **In Wake Of Publix Rx Shift, Competitors Make Their Moves**
- ▶ **Walgreen Makes An Old Concept New**
- ▶ **FastNewsBeat**
- ▶ **The MNB Wal-Mart Watch**
- ▶ **The Balance Sheet**
- ▶ **Executive Suite**



Thanks to MNB  
for this selection of  
articles.

### **More About Amazon's Grocery Business**

In the wake of last week's disclosure that Amazon.com has begun testing a pilot program called Amazon Fresh that will deliver perishable groceries to consumers, including organic and non-organic fruits and vegetables, dairy products, ice cream, meat and seafood. *MNB* has learned – in response to a question raised by several *MNB* users – where the online retailer is sourcing its fresh food.

The answer is – lots of places.

According to sources, Amazon Fresh is getting products from both Associated Grocers (soon to be sold to Unified Grocers, if the deal is finalized next month as expected) and Supervalu. In addition, the company reportedly is getting a variety of products – meat, seafood, produce, bakery – from local sources that Amazon has identified as being "best of class."

### **Study On Muslim Marketplace In US Points To Real Opportunities**

The *Economist* has an interesting story, citing a new study by JWT suggesting that the six million Muslims living in the United States "are, on average, richer and better educated than the general population. Two-thirds of Muslim households make more than \$50,000 a year and a quarter earn over \$100,000; the national average is \$42,000. Two-thirds of American Muslims have a college degree, compared with less than half of the general population. Muslim families also tend to have more children. So the perception that marketing specifically to Muslims is not worthwhile would appear to be wrong.

"According to JWT, food, finance and packaged goods are the three consumer markets most affected by Islamic law. The global *halal* market is worth some \$580 billion annually. In America an estimated 16% of sales in the \$100 billion kosher industry comes from Muslims who lack adequate *halal* options. Manischewitz, the leading maker of kosher foods, has already spotted an opportunity. Last year it launched its first campaign under the theme 'Simply Manischewitz' designed to reach out beyond Jewish customers."

## **MNB's Tales Of Tesco**

- In the UK, the *Guardian* reports that a new study by Occidental College's Urban & Environmental Policy Institute already is criticizing British retailer Tesco for its approach to the US marketplace – even before it has opened a single store.

While pointing out that Tesco's plans are ambitious – it rivals Wal-Mart as a global retail player and has the potential to “significantly influence the direction of the US grocery business in such areas as labour, environment, health and the food system” – the Institute also criticizes Tesco for deciding “to rely on part-time rather than full-time workers,” which “limits their ability to earn a living wage without having to juggle multiple jobs.”

The report also criticizes Tesco for bringing some of its UK sources to the US rather than developing local sourcing programs, and for locating its warehouse and distribution facilities in an already heavily polluted area that, it says, will now only get more so.

Tesco responds to the criticism by saying that it has promised to pay US staff \$10 an hour, \$1.50 more than the minimum wage, and will offer health insurance unlike some rivals. And, a spokesman says, “We've not yet had the opportunity to review the UEPI report in any detail. Reports of this nature are common in California and we welcome the opportunity to prove to our customers in the US that we stand by our promise to deliver fresh, quality, affordable foods in all communities, to be a good steward of the environment and to be a great place to work.”

## **The New Cost Of Some Prescription Drugs At Publix: Zero**

Publix Super Markets announced yesterday that seven popular antibiotics will be available at no charge for people with valid prescriptions. The free antibiotic, according to the company, will be made available to customers regardless of their health care coverage and will be provided in up to two-week supplies.

The prescription antibiotics available under the program include:

- Amoxicillin
- Cephalexin
- Sulfamethoxazole/Trimethoprim (SMZ-TMP)
- Ciprofloxacin (excluding ciprofloxacin XR)
- Penicillin VK
- Ampicillin
- Erythromycin (excluding Ery-Tab)

“At Publix, we're working hard to develop a complete health and wellness program,” said Charlie Jenkins Jr. “From the nutrition information in our stores to the services in our pharmacies, Publix is committed to the health and wellness of our customers. I'm pleased that we can make this program available and use it to further serve the needs of our customers and their families.”

Publix estimates that the now-free antibiotics account for almost 50 percent of generic, pediatric prescriptions filled at the supermarkets' pharmacies.

The program reportedly mimics one already begun by Meijer in the Midwest.

## **Felpausch Stores To Be Remodeled, Renamed by New Owner Spartan**

The *Grand Rapids Press* reports that as Spartan Stores spends as much as \$20 million to upgrade the 20 Felpausch supermarkets that it acquired earlier this year for about \$38.5 million, it also will consider rebranding the units as either D&W Fresh Markets or Family Fare Supermarkets, two other banners owned by Spartan.

Spartan reportedly is very happy with the increased business done by remodeled D&W stores; it acquired D&W's 20 stores earlier this year for \$45 million, and then closed four of the units and began a remodeling program that eventually will cover all of the remaining stores.

## **Wal-Mart Hires HHS Expert To Run Its Health & Wellness Units**

Wal-Mart announced yesterday that it has hired Dr. John Agwunobi, the assistant secretary for health for the U.S. Health and Human Services Department and an admiral in the U.S. Public Health Service Commissioned Corps, to run its health and wellness units.

According to the company, Agwunobi will have a dual role. On the retail side, he will oversee the company's in-store medical clinics, pharmacies and vision centers, creating a broad and cohesive health-related strategy for the company's stores.

But he also will have a human resources function, helping to make both more efficient and effective Wal-Mart's health care coverage for full-time and part-time employees.

Agwunobi is a pediatrician by training who also holds master's degrees in business administration and public health. He starts with Wal-Mart on September 4.

## **Kroger Expands Private Label Organic Line**

The *Cincinnati Enquirer* reports that Kroger plans to expand its Private Selections organic food line by some 60 SKUs this fall, with the new items to include pasta, milk, snacks and peanut butter. By the end of the year, Kroger expects to double the current Private Selections item count to as much as 600.

"Our customers tell us they are interested in trying more organic foods, and this expanded assortment is designed to help them do that during their regular shopping visits with us," Linda Severin, vice president of corporate brands at Kroger, tells the paper. Severin also says that Private Selections is designed to appeal to customers who are not hardcore organic users.

"This responds to customers who just want to make a smarter food choice and start opening their lives to organic," Severin tells *Forbes*. "It's a way for people to sort of put their toe in the water."

As currently comprised, Private Selections is some 300 items strong, and the line is integrated into the chain's mainstream grocery departments. The line carries a USDA organic certified seal, according to the story, and is guaranteed to be free of antibiotics and growth hormones and produced with no artificial preservatives or chemicals.

## **In Wake Of Publix Rx Shift, Competitors Make Their Moves**

The *St. Petersburg Times* reports that as Publix changes its approach to pharmacy discounts – offering seven common antibiotics for free rather than matching Wal-Mart's broader program offering more than 140 generic prescription drugs for \$4 – Albertsons in Florida has announced that it will match both Publix's new plan and Wal-Mart's existing plan.

"We will match any competitor," Shane McEtarffer, an Albertsons' spokesman, tells the *Times*.

Delhaize-owned Sweetbay Supermarkets tells the paper that it is matching the Wal-Mart program and evaluating whether to match the Publix offering.

And, Publix says that it is matching the Wal-Mart program, though it is not making a big deal of it. "We never had a matching program, but in the spirit of customer service, we did honor the \$4 scripts when asked by customers," Publix spokeswoman Shannon Patten tells the *Times*.

Some public health advocates are critical of the shift, saying that antibiotics tend to be short term drugs, and that consumers are worse off if they have to pay full price for generic prescriptions that they need to use for longer periods of time.

## **Walgreen Makes An Old Concept New**

The *Chicago Daily Herald* reports that Walgreen is testing a new format that will not only add in-store medical clinics in select locations, but also cafes that will offer fountain drinks and snacks.

The company reportedly is testing the concept in about 100 of its almost 6,000 stores.

## **FastNewsBeat**

- A new study by IHL Consulting Group predicts that supermarkets in North America will continue spending big on IT Systems in the next 12 months, with over \$9 Billion in spend planned for the next 12 months. In addition, the report says that 92 percent of supermarket retailers said that integrating POS with Inventory Management software was a priority.
- Rite Aid has announced that it will expand the GNC store-within-a-store concept from the 1,275 currently operating to more than 2,000 by the end of 2014. The nutrition center boutiques will largely be added to Brooks and Eckerd stores acquired by Rite Aid, according to a report in *Drug Store News*.
- *Crain's Chicago Business* reports that McDonald's Corp. will sell its Boston Market chicken chain to private-equity firm Sun Capital Partners Inc. Terms of the deal were not disclosed, but the deal is expected to close in just a few weeks.
- Supervalu-owned Albertsons reportedly is teaming up with the Discovery Kids Channel for a joint promotion aimed at getting children to eat healthier foods; the supermarkets will be engaged in an expanded sampling program, while Discovery Kids will be distributing DVDs aimed at teaching kids about good nutrition.
- Delhaize-owned Food Lion announced that it will go through market remodeling programs in four markets – Charlottesville, Virginia; Richmond, Virginia; Savannah, Georgia; and Wilmington, North Carolina – that will include the rebranding of some of its units, where appropriate, as Bloom or Bottom Dollar stores.

## The MNB Wal-Mart Watch

- Wal-Mart is scheduled to hold a new conference in New Delhi, India, this morning that will announce a formal joint venture with Bharti Enterprises that will lead to the development of a chain of cash-and-carry stores there. In the short term, the plan is for about a half-dozen units in the northern and western region of the country, but eventually is expected to expand to a multitude of formats throughout the country.

The deal between Wal-Mart and Bharti has been public knowledge for some time, but a formal announcement has been delayed because of India's restrictions on foreign investment in the nation's retail sector. The *New York Times* writes this morning that "India's retail industry, valued at nearly \$350 billion, is forecast to double in size by 2015, with modern retail's share of that also quickly increasing from about 3 percent now.

"The opening up of the fragmented industry, which is dominated by family-run shops, has triggered political concerns and protests by small shop owners who fear massive job losses."

- The *Washington Post* reports that during a campaign visit to Boone, Iowa, former New York City Mayor and current Republican presidential nomination contender Rudy Giuliani decided to stop at a Wal-Mart. He reportedly was looking for a book by Pakistani President Pervez Musharraf (not in stock), but settled for two boxes of power bars, and a junior-sized football to play with on his campaign plane.

Giuliani said during the visit that he had always supported big box stores while he was mayor of New York. "I always liked big box stores," he said. "I think they bring the prices down."

- Talk about cross-merchandising...Wal-Mart is engaged in a little cross-Atlantic merchandising. Reports are that the company's Asda division in the UK has begun exporting premium private label products under the Extra Special name to its Wal-Mart de Mexico division.

Walmex started off by importing about 50 Asda products, and now plans to double the SKU count to 100 because of the success of the line.

And Wal-Mart may not be stopping there, as there are published reports that it is thinking of exporting Extra Special own label products from Asda to its Seiyu division in Japan.

## The Balance Sheet

- Gelson's Markets parent company Arden Group posted second quarter net income of \$6.5 million, up almost 40 percent of the same period a year ago. Q2 sales were up 0.6 percent to \$119.8 million, with same-store sales also up 0.6 percent.

- Stater Bros. posted Q3 sales of \$910.2 million, up 2.7 percent over the same period a year ago, on same-store sales that were up 1.7 percent. The third quarter net income for the company was up by a considerably greater percentage – to \$15.6 million compared to \$5.7 million during the same period a year ago.

- Costco Wholesale Corp. posted July sales of \$5.02 billion, up 11 percent over the same month in 2006; same-store sales were up seven percent. The company said its US same-store sales were up six percent, while international division same-store sales were up 10 percent.

- Wal-Mart reported that its July sales rose 8.8 percent to \$27.58 billion, with US same-store sales that were up 1.9 percent. Same-store sales rose 1.3 percent at Wal-Mart stores and 5.1 percent at its Sam's Club warehouse unit.

- Wild Oats reported second quarter net income of \$127,000, down 97 percent compared to the same period a year ago. Q2 revenue rose five percent to \$311.8 million from \$296.6 million in the year-ago quarter, with same-store sales up 3.1 percent.

The company said the dramatic income drop was due to both higher costs and expenses related to its proposed acquisition by Whole Foods, though the latter has been challenged in the courts on competitive grounds by the Federal Trade Commission (FTC).

### **Executive Suite**

- Kroger Co. announced that Pete Williams, a three-decade veteran with the company currently serving as president of the company's Mid-Atlantic division, has been promoted to corporate Senior Vice President.

Jay Cummins, president of Kroger's Food 4 Less division, has been named to replace Williams as President of the company's Mid-Atlantic division.

Kroger also named Mike Donnelly, who has been president of Kroger's Fry's division in Phoenix, to be the new president of Ralphs Food Stores in Southern California. He replaces Dave Hirz, who is returning to Food 4 Less as President of the division.

- Haggen Inc. announced that John Boyle, former vice president of merchandising and marketing for Supervalu, has been named the retailer's vice president of corporate brands. In his new job, Boyle reports to Jeff Wood, executive vice president/COO.

- Brookshire Grocery Co. has named Rick Rayford, a 35-year veteran of the company who started in the warehouse and who most recently was executive vice president-corporate development, as the company's new CEO, succeeding Marvin Massey, who had announced his impending retirement in 2008. Rayford and Massey will work together on the transition through the end of the year.