

## **- Retail Industry News from IRI for Week Ending 8/17/07-**

---

*Below is the list of articles you will find for the week ending 8/17/07 edition of Retail Industry News.*

- ▶ **Tracking The Growth Of In-Store Health Clinics**
- ▶ **Albertsons LLC Gets Go-Ahead To Buy 10 Raleys New Mexico Stores**
- ▶ **Hy-Vee Expands Store, Lets Employees Put Their Mark On It**
- ▶ **Fresh Market To Open First Wisconsin Store**
- ▶ **Whole Foods Wins Round One In Battle With FTC Over Wild Oats Acquisition**
- ▶ **Wal-Mart Said To Be Developing Two New Small Store Concepts**
- ▶ **FastNewsBeat**
- ▶ **The MNB Wal-Mart Watch**
- ▶ **The Balance Sheet**
- ▶ **Executive Suite**



Thanks to MNB  
for this selection of  
articles.

### **Tracking The Growth Of In-Store Health Clinics**

The *Washington Post* reports that a new estimate by the Convenient Care Association suggests that roughly seven percent of Americans have used an in-store medical clinic at least once.

There are about 400 in-store medical clinics currently operating – in stores that include Wal-Mart, Walgreen, CVS, and Target – and the association forecasts that there will be 700 by the end of 2007 and 2,000 by the end of 2008.

### **Albertsons LLC Gets Go-Ahead To Buy 10 Raleys New Mexico Stores**

Albertson's LLC said yesterday that it has received all the necessary state and federal government approvals that will allow it to acquire 10 Raley's Stores in the Albuquerque, Rio Rancho, and Taos, NM areas. The transaction is expected to close August 14, 2007.

When the deal is complete, Albertsons LLC will be operating seven of the units under its own banner; the other three will be put on the market.

"We're pleased that we have been given the customary government approvals to be able to welcome the Raley's stores into our operation—and we're excited to be growing our presence in New Mexico," said Bob Colgrove, president of Albertson's LLC's Southwest division.

Albertsons LLC is majority-owned by Cerberus Capital Management, and currently operates more than 300 stores in Arizona, Arkansas, Colorado, Florida, Louisiana, Nebraska, New Mexico, South Dakota, Texas and Wyoming.

## **Hy-Vee Expands Store, Lets Employees Put Their Mark On It**

The *Des Moines Register* reports that Hy-Vee is building the largest store in its fleet at 91,000 square feet on the city's south side. The unit is actually a 39,000 square foot expansion of an existing unit that is expected to be completed early next year.

"When complete," the *Register* reports, "the store will include a Starbucks coffee shop, a room for cooking and wine classes, a walk-in medical clinic, and a wine and spirits store. The selection of baby products and pet products will also be expanded, and a health market, which will employ a dietitian, will sell organic products. A Hy-Vee convenience store and gas station will be built in front of the grocery store."

Reflecting the company's broader approach to people management, according to the story, "store employees made their mark on the new structure Monday by signing one of the beams that will be used in its completion. Store Director Wes Snook pointed out the space where the beam will hang, and he told the workers they would always be part of the new store."

## **Fresh Market To Open First Wisconsin Store**

The *Milwaukee Journal Sentinel* reports that Brookfield, Wisconsin, will be getting a new Fresh Market store, a 22,000 square foot store that is part of the Greensboro, north Carolina, chain that "strives for a European ambience ... with classical music, soft lighting and red tile flooring. It offers 400 different produce items, has a large floral department and a big deli that dominates the center of the store."

According to the story, the Fresh Market entry – its first in Wisconsin – is part of a broader trend in the region, which also has competitors such as Whole Foods, Sendik's, and Trader Joe's, as well as improved offerings from Pick 'n Save.

## **Whole Foods Wins Round One In Battle With FTC Over Wild Oats Acquisition**

A federal judge ruled yesterday that Whole Foods could go ahead with its \$565 million acquisition of Wild Oats, refusing the grant the Federal Trade Commission (FTC) a temporary injunction that would have stopped the deal from taking place.

The FTC opposed the deal on the grounds that it would diminish competition in the marketplace and result in increased prices and fewer options for consumers. According to the *Wall Street Journal*, the FTC is not out of options – it could appeal the judge's ruling, or "pursue its own administrative trial in a bid to scuttle the merger."

The FTC said as of this posting that it is reviewing its options. Whole Foods said that it has agreed to comply with an FTC request not to attempt to close on the deal with Wild Oats until noon next Monday.

The rationale behind U.S. District Judge Paul L. Friedman's ruling is unknown at this time, since his 93-page opinion has been sealed.

The crux of the argument, however, seemed to be how to define the marketplace. The FTC said that the organic/natural foods business was a distinct market in which Whole Foods and Wild Oats were the dominant players. The two chains, however, argued that their companies simply occupied one specific niche in the much larger supermarket industry, and that there is plenty of competition for the consumer's food dollar in natural and organic categories.

Wild Oats has 110 stores in 24 states and in Canada, while Whole Foods has 194 stores in the United States, Canada and the United Kingdom.

Just this week, it what appeared to be a last ditch attempt to get Judge Friedman to rule in its favor, the FTC filed a motion saying that Whole Foods would close as many as 30 Wild Oats stores. In addition, the FTC said that it could prove that the opening of a Whole Foods store could reduce sales at a nearby Wild Oats by as much as 30 percent, that Whole Foods believed that the shutting of the ... stores could increase revenue at nearby Whole Foods stores by as much as 90 percent, and that the takeover will send as many as 80 to 90 percent of Wild Oats shoppers to Whole Foods. And, the FTC charged that Whole Foods sets conditions for its suppliers that prevent them from selling to Wal-Mart.

However, the FTC filing may have backfired on the government, since the information in its filing ended up in the public domain, despite the fact that it was based on proprietary information provided by Whole Foods and was supposed to have remained sealed.

### **Wal-Mart Said To Be Developing Two New Small Store Concepts**

Wal-Mart is developing two new small-format store concepts that it plans to use to blunt the impact of Tesco's entry into the US with its 10,000 square foot Fresh & easy Neighborhood Market stores, according to a story in this morning's *Wall Street Journal*.

One of the plans calls for "urban convenience stores less than a tenth of the size of the company's supercenters and stocked with groceries geared to more affluent tastes," and the other would be "stand-alone stores offering a variety of health services and products." Either or both concept could be introduced in early 2008, sources tell the *Journal*, and are likely to be piloted in California – which happens to be one of the three states where Tesco will be opening stores later this year. (The others are Arizona and Nevada.) California also happens to be a state where Wal-Mart has run into cases of community resistance to the opening of its supercenters, and smaller formats could circumvent those problems.

The story reports that Wal-Mart has created a task force executives charged with coming up with the new formats, and has housed them in San Francisco – not Bentonville, Arkansas – in order to keep them away from short-term business pressures. While Wal-Mart is not commenting on the formats, a spokesman said the company "always looking for new and innovative ways to serve our customers."

Wal-Mart reportedly sees the health services concept as bringing together a number of its traditional offerings – such as pharmacy and optometry services – with more recent developments, such as its in-store medical clinics. And, it would allow the company to develop other health-related products and services.

Of course, these new formats aren't the only small store concepts that Wal-Mart has developed. The company introduced its Neighborhood Market concept in 1998, but only has opened 124 of them – reportedly because it could not develop a return-on-investment (ROI) model for the small stores that was equivalent to that of the supercenters. But the world has changed, there are new competitors, Wal-Mart has seen its fortunes wane to some extent, and new solutions seem to be called for.

However, as the *Journal* writes, "The company may have waited too long to develop successors to its big-box U.S. stores. Analysts now chopping their profit estimates for this and next year say Wal-Mart

has seemed tone-deaf to consumer trends. Failed pushes in women's fashions and home decor continue to sap profits, and high gasoline prices are eating into supercenter visits. Recently, Wal-Mart has tried running ads promoting its low prices as worth the extra travel."

## FastNewsBeat

**Wal-Mart reportedly has signed a multi-year deal with Information Resources Inc. (IRI) that, according to a statement, "enables IRI to align its ... IRI Consumer Network, a 100,000 plus household panel, with Wal-Mart's unique consumer segments to provide IRI manufacturing clients with a clear picture of the key consumer dynamics that drive Wal-Mart's brand and category performance. The agreement also enables IRI to align its panel with Wal-Mart's unique category definitions and geographies ... As a result of the agreement, IRI will be launching a new panel-based service to reflect these capabilities as well as significantly increasing its onsite presence in Bentonville. Additionally, IRI is engaging in specialized marketing and merchandising analytic- and auditing-related services for Wal-Mart. These specialized services are for Wal-Mart's internal use only and will not be made available to manufacturers."**

- Ahold-owned Albert Heijn has opened its 34th convenience store in the Netherlands – but this one is in Amsterdam's Schiphol Airport. The company released a statement saying that the 46 million people who go through the airport each year made the location extremely attractive for a c-store, and said that as it grows the chain of 'AH' stores, it plans to locate them in such unorthodox places as train and subway stations and hospitals.
- Wild Oats Markets reportedly has put Freya Brier, the company's general counsel, on administrative leave, saying in a Securities and Exchange Commission (SEC) filing that the move is "pending the resolution of a dispute under her severance agreement, involving whether a constructive termination has occurred in anticipation of a change in control."

Whole Foods currently is trying to buy Wild Oats for \$565 million, though the deal is opposed by the Federal Trade Commission (FTC) on competitive grounds.

- The *Orange County Register* reports on how Starbucks launched "five \$2.95 breakfast sandwiches in 40 Starbucks cafes in Orange and Los Angeles counties earlier this year," and they met with enough success that the company has rolled them out to 700 stores. And unlike McDonald's – which dominates the breakfast fast food category – Starbucks is making the breakfast sandwiches available all day long.

The paper also notes that "McDonald's has not introduced a new breakfast food since it launched the McGriddle in 2003," and that it has no plans to extend the hours it offers breakfast items.

- New studies conducted in Europe and Japan suggest that low-to-moderate coffee drinkers – roughly between one and three cups per day – tend to have a lower risk of contracting liver cancer ... though at this point, scientists seem to have no idea why.
- *Bloomberg* reports that an American company, Gilchrist & Soames, has issued a voluntary recall alert for all the tubes of Chinese toothpaste that it distributed in hotels worldwide. The toothpaste, which is usually provided free-of-charge to guests, reportedly contains diethylene glycol, a chemical used in antifreeze.

## The MNB Wal-Mart Watch

- The *New York Times* reports that Ed Kolodziecki,, CEO of Wal-Mart's Seiyu division in Japan, is promising that despite the expectation of continued losses there, the company has no plans to pull out of Japan.

"For Wal-Mart Stores, the Japanese market is clearly a very important market," he told a news conference. "I can tell you I have not had one single discussion with senior Wal-Mart executives ever about the topic of leaving Japan."

Wal-Mart has invested more than \$1 billion in Seiyu over the past five years, but currently is predicting that its 2007 loss will be \$50 million, and is not making any guarantees about 2008.

- According to a story in the *Wall Street Journal*, "Wal-Mart Stores Inc. has bolstered the number of loss-prevention workers in its stores and enlisted forensic accountants to help it determine the causes of its increases in theft and lost merchandise." However, figuring out exactly what is causing Wal-Mart's shrink problem – which is having a deleterious effect on its gross margins – and how to solve it is "taking a little longer than we expected," according to the company's CFO, Tom Schoewe. "So, my guess is by the end of the third quarter we'll have better visibility."

- Wal-Mart has released its 2006 Ethical Sourcing report, which says that, in 2006, "Wal-Mart conducted more factory audits than any other company in the world, at 8,873 factories producing goods for Wal-Mart, 15 percent more than in 2005. Unannounced audits made up 26 percent of the audits undertaken, a six percent increase over 2005. High risk violations of the Wal-Mart Standards for Suppliers code decreased 23.5 percent in 2006, mainly due to educational outreach."

- The *New York Times* reports this morning that WakeUpWalMart.com, the union-backed advocacy group that has targeted the world's biggest retailer for its wage, benefits and labor practices, has hired a group of Democratic consultants as its new leadership.

Meghan Scott, who worked on John Edwards' 2004 presidential campaign, is expected to become the group's deputy campaign manager with day-to-day control of the organization. She reportedly will be advised by a trio of consultants - Nick Baldick, Jeremy Van Ess and Richie Ross – that has worked on both national and statewide races on behalf of Democratic candidates.

## The Balance Sheet

- BJ's Wholesale Club posted July sales that rose six percent to \$650.5 million from \$613.9 million a year earlier, on same-store sales that were up 1.5 percent. Second quarter sales rose by 8.2 percent to \$2.25 billion, on same-store sales that were up 3.7 percent.
- Target Corp. reported that its July same-store sales were up 6.1 percent and total sales rose 11 percent to \$4.36 billion.
- Family Dollar Stores said that its July sales rose 3.3 percent to \$491.7 million, with same-store sales that were up 0.5 percent.

- Dollar Tree posted Q2 sales of \$971.2 million, a 9.9 percent increase over the same period last year. Same-store sales for the quarter increased 4.4 percent.
- Wal-Mart said yesterday that its second quarter earnings were \$3.1 billion, up from \$2.08 billion during the same period a year ago. The increase was in part due to the fact that Wal-Mart had to take a charge against profits a year ago when it disposed of its German operations.

Wal-Mart had already reported Q2 revenues of \$93 billion, up from \$85.43 billion a year ago.

- Duane Reade reports that its second quarter sales rose 8.3 percent to \$431.9 million from \$398.8 million in the year-ago period, on same-store sales that were up 7.9 percent. The chain's net loss for the quarter narrowed to \$20.1 million compared with a loss in the year-ago period of \$21.1 million.
- Longs Drug Stores said that its second quarter profit rose 40 percent to \$26.6 million, from \$19 million, during the same period last year. Revenue rose three percent to \$1.27 billion from \$1.24 billion a year ago.

### **Executive Suite**

- Publix Super Markets announced that Bob Moore, who brought the company to the Atlanta metro area and served as vice president of the Atlantic region, is retiring at the end of the year. He will be succeeded by Chuck Roskovich, currently its Lakeland Division Regional Director.
- Kroger announced yesterday that Jon Flora, senior vice president of the company and a former president of its Great Lakes division, has been named President of the company's Fry's division, based in Phoenix. He succeeds Mike Donnelly, who has been named to lead Kroger's Ralphs Division in California.
- Rite Aid Corp. announced that it has hired Robert J. Easley, the former chief marketing officer at HE Butt Grocery Co., to be its new COO. The current COO, James P. Mastrain, reportedly will become a special adviser to Rite Aid on corporate strategy.