

## - Retail Industry News from IRI for Week Ending 8/24/07-

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Thanks to MNB  
for this selection of  
articles.

### **Sansolo Speaks: Put A Cork In It!**

*by Michael Sansolo*

*"These are my principles and if you don't like them...I have others!" - Groucho Marx*

As a rule, I tend not to hate things. But life's little ironies just keep jumping up and biting me above the ankles.

For instance, earlier this summer I wrote about my dislike of Bluetooth phones and suggested that all users wear a feather in their hair to signify that they aren't mumbling insanely to themselves. Sure enough, I got a new cell phone that came with a free Bluetooth headset. My college-aged daughter wasted no time supplying a feather. Darn ironies.

Then there was the argument Kevin launched earlier this year about corks vs. screw tops on bottles of wine. Now as many of you might imagine, working with Kevin (though we are 250 miles apart) is an endless array of very important discussions. Please, please, please don't get us started on dental care or even his passion for supermarkets expelling all products bearing the name of any restaurant.

The cork vs. screw top seemed a slam-dunk to me. After all, what was the big deal other than a nostalgic feeling for one technology being replaced by another? Kevin, it seemed to me, was all wet.

But to address the argument fairly, I visited a vineyard located just outside of Sydney, Australia, the wonderful country that seems to be spearheading the wine cork vs. screw top battle. Peter Auld, the winemaker and owner of Tizzana Vineyards, was more than happy to weigh in on the topic.

The screw tops, which he uses on about half his products, are all about economics, nothing else. In fact, Peter explained why cork is actually superior. A screw top, he said, makes a very good seal on the bottle, but the seal is complete in one specific place. Any flaw in that one location and the seal fails to prevent air from entering the bottle and ruining the wine. In contrast, a cork creates a much longer seal, in essence creating redundant safeguards against leaks.

(One short interlude here: Peter's vineyard in Ebenezer, New South Wales, produces a number of wonderful wines. A real surprise to me was his Old Liqueur Sweet Wine for desserts. I'm not a big wine connoisseur and I usually have no taste for sweet after-dinner wines, but this was fabulous. His Shiraz and a local blend, Tomasso, were also especially good.)

Now this is just one winemaker's opinion and before we get notes from the Screw Top Association of America, let me just take care of this issue. Kevin, it seems, is right and the issue isn't trivial.

Value is such a nuanced concept these days and the key is creating a perception of distinction in the eyes of the shopper. If Peter feels cork is better for his products, he should find a way of educating his shoppers and explaining why he needs to charge an extra few cents to uphold his quality.

That's an argument Kevin would likely make and I'd agree. There. I said it.

But it won't last. Last week, Kevin actually dissed Tom Seaver, who is only the greatest ex-Mets player ever. Best as I know, Seaver was never accused of using performance enhancing drugs, never engaged in dog fights and never bet on games. All he did was pitch hard and win. The day the Mets traded him remains one of the darkest days in sports history for me. And Kevin wishes to banish him forever because his brilliance on the field hasn't translated to the broadcast booth. Bring on the wine!

### **PCC Natural Markets To Eliminate Plastic Bags**

Seattle-based PCC Natural Markets said yesterday that as of October 1, it will stop using plastic shopping bags and will encourage shoppers to reuse their own bags by offering its selection of reusable totes at cost, while continuing to provide paper bags at no charge.

According to Tracy Wolpert, CEO, "While this decision to eliminate plastic shopping bags will entail some additional cost, it's simply the right thing to do. We have studied the environmental impact of paper versus plastic and believe that paper is the more sustainable choice, while bag reuse is the best choice of all."

### **Judge's Rationale Presented On Whole Foods-Wild Oats Deal**

The *Austin American-Statesman* reports that a reading of the 93-page ruling by federal Judge Paul L. Friedman seems to clearly lay out why he ruled against the Federal Trade Commission (FTC), which has been trying to block Whole Foods' proposed \$565 million acquisition of Wild Oats.

However, the FTC continues to argue against the deal, and said yesterday that Friedman ignored "clear and authoritative" statements by Whole Foods CEO John Mackey that the only reason to buy Wild Oats was to eliminate competition and avoid price wars

The FTC has been arguing that Whole Foods and Wild Oats dominate a unique natural/organic industry, as opposed to being part of the broader supermarket industry; the FTC also says that the deal would be anti-competitive and could lead to higher prices for consumers.

"The evidence shows that Whole Foods and Wild Oats do not uniquely compete with each other, but with all supermarkets in areas where both Whole Foods and Wild Oats operates," Friedman wrote, according to the paper, which also notes that Friedman made the following observations:

- Wild Oats prices are actually higher than those at Whole Foods.
- Whole Foods prices do not vary depending on whether there is a Wild Oats store nearby.

- When Whole Foods enters a market, its customers mainly come from traditional supermarkets.
- Major supermarket chains are re-tooling themselves to compete with Whole Foods, offering more organic products.

The US District Court of Appeals in the District of Columbia has put a temporary hold on the deal, but said that the move was only to give it more time to consider the FTC arguments against the deal. The three-judge panel said that the hold "should not be construed in any way as a ruling on the merits" of the case.

### **Bottled Waters May Find Themselves Up The Creek Without A Paddle**

*USA Today* reports this morning that bottled water – in recent years a hot commodity and growing product category – is facing tough times. Part of the reason is environmental, as more people question the wisdom of using and disposing so much plastic, which is made from so much oil. At the same time, *USA Today* writes, questions "have been raised about the need for a relatively costly convenience product that in many cases is purified municipal tap water. Top-selling Aquafina recently was the latest brand to put that origin on its label, after prodding by consumer group Corporate Accountability. The PepsiCo (PEP) brand saw a sales dip from the negative publicity and has replaced scheduled ads for the next few weeks with one about its seven-step purification process."

According to the paper, there may be a movement growing here: "Last month, San Francisco Mayor Gavin Newsom banned city buying of bottled water for its facilities. Last week, a Chicago councilman proposed a 10- to 25-cent tax on bottled water to help pay for a \$40 million water and sewer fund deficit — partly due to less tap water consumption."

One of the things that these issues have done is raised the visibility and credibility for competing products and technologies, such as in-home water filters, that can fill the consumer need. Another mini-trend: refillable bottles that carry water and wear slogans such as "make love not landfill" and "friends don't let friends drink from plastic."

Bottled water manufacturers are fighting back, however, using marketing tools to tout their own environmental records and how they are working to reduce packaging for their products.

### **Outsourcing Comes Home As Parents Seek Solutions**

*Time* had an interesting story about how some parents, looking for so-called "work-life balance," are actually outsourcing some basic tasks – like making their kids' lunches.

For example, in Virginia, a company called Health e-Lunch Kids charges parents \$4.99 to deliver homemade, nutritious meals to local schools and camps being attended by children. This firm, *Time* writes, "is one of a growing number of niche companies swooping in to take care of the mundane tasks of parenting, all in the name of helping moms and dads attain a better work-life balance. Other lunchmakers include Brown Bag Naturals in Los Angeles and Kid Chow in San Francisco. Shuttle services like Mother Hen's Helpers in suburban New York and Kids in Motion in Pennsylvania will ferry your child to soccer practice or a doctor's appointment. And there are companies that will even come to your house and comb the lice out of your children's hair."

There are two schools of thought about these new companies. One is that when parents hire out such tasks, they are disconnecting from their children to an extent by not doing traditional tasks ordinarily done out of love. But the other is that parents are under pressure to be so-called "perfect parents," even if they also are working out of the home, and that these services allow them to meet rising expectations ... and to spend time with their kids in more meaningful ways.

## FastNewsBeat

- The *Grand Rapids Press* reports that Michigan-based Spartan Stores' first new unit "in four years is nearing completion as a prototype grocery in Allendale Township and scheduled to open in October. It will replace an older store, just down the street on Lake Michigan Drive. Construction is expected to start later this year on a replacement store on Northland Drive NE in Plainfield Township.

"Ten to 15 fuel centers will be added over the next three years, in-store pharmacies will be upgraded, and Spartan is looking to increase its frozen foods capacity and get into the ice cream distribution business, executives said." This growth – plus the company's acquisition of companies like D&W Food Centers and Felpausch – reflects what analysts see as a new aggression and ambition at Spartan.

- The *Financial Times* reports that it appears that Tesco has secured the support of more than 50 percent of shareholders in Dobbies Garden Centres, the Scottish retail chain that it is looking to acquire for the equivalent of about \$300 million (US).

According to local media reports there, Tesco's quest to acquire Dobbies has been complicated by one investor, Tom Hunter, who now owns 29.3 percent of Dobbies. While Hunter has said he will not bid against Tesco to acquire the whole company, the size of his stake reportedly means that Dobbies will have to remain a publicly traded company and not be absorbed into Tesco.

- *TCPalm.com* reports that Publix has been so successful selling reusable "green bags" that some locations actually are sold out and awaiting new shipments. The story notes that the bag, "which has a handle and reportedly replaces three to five plastic bags per load, is made from a non-woven polypropylene." The bags sell for \$1.49 apiece.

- In St. Louis, Dierberg's, Schnuck Markets and Shop 'n Save reportedly have reached a tentative labor agreement for a new labor agreement covering more than nine thousand employees represented by the United Food and Commercial Workers (UFCW). A ratification vote is scheduled for September 5. Terms of the new labor deal, which replaces one that expired back on May 13, were not disclosed.

- The *Tennessean* reports that there will be a new line of products coming to store shelves – named after a television program that stopped production in 1968.

The line, called "Mayberry's Finest," consists of 32 units that are named after the fictional Southern town where "The Andy Griffith Show" was set.

- Supervalu has announced that its Acme, Albertsons, bigg's, Cub Foods, Farm Fresh, Hornbacher's, Jewel-Osco, Lucky, Shaw's, Shop 'n Save and Shoppers Food & Pharmacy stores have begun making the switch to canola oil, a trans fat-free cooking oil, in their delis. The change to canola oil, according to the company, includes an extra, added benefit: a reduction of saturated fat, which provides customers with better-for-you choices to support their ever-changing lifestyles.

The transition is expected to be complete in all participating Supervalu banner stores by Labor Day.

- The *Arizona Daily Star* reports that Safeway is converting its entire truck fleet to B20 biodiesel fuel, which according to the company will reduce Safeway's carbon dioxide gas output by 3,603 metric tons — equivalent to 780 passenger cars not being driven for one year.

## The Balance Sheet

- BJ's Wholesale Club reports that its Q2 profit grew 37 percent to \$36.3 million, from \$26.4 million during the same period a year ago.

Sales for the second quarter increased eight percent to \$2.25 billion from \$2.08 billion a year earlier. Including membership fees, total revenue grew to \$2.29 billion from \$2.12 billion. Same-store sales were up 3.7 percent.

- Target said yesterday that its Q2 earnings rose more than 12 percent to \$686 million, from \$609 million during the same period a year earlier.

Total quarterly revenue rose 9.5 percent to \$14.62 billion from \$13.35 billion a year ago, while same-store sales were up 4.9 percent.

## Executive Suite

- Family Dollar Stores announced that Jeff Thomas, the company's divisional vice president for merchandise logistics, has been promoted to the position of Vice President - Replenishment.