



-Week Ending 9/11/09-

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**Thanks to MNB
for this selection of
articles.**

BK French Fries Coming To Supermarket Aisles

Brand Week reports that Burger King's deal with ConAgra will bring the fast feeder's French fries to retail stores later this month, which large-sized versions – dubbed King Kolossalz, and King Wedgez – expected to follow shortly.

The microwaveable fries will retail for approximately \$1.49 per box.

According to the story, "Sharon Miller, vp of retail sales for ConAgra's Lamb Weston, said the BK branding will give the products a jumpstart in the marketplace: 'Now consumers can enjoy King-fries at home, in an easy-to-prepare, microwaveable format that's perfect for today's busy families.'"

New Registry Designed To Enable Food Safety Issue Reporting

The *Wall Street Journal* reports that the US Food and Drug Administration (FDA) has launched a new electronic food registry that requires and enables food companies to report any contamination issues within 24 hours – not just issues that already have gotten people sick.

"Under the new program, companies would report a problem if, for example, they suspect bacterial contamination such as salmonella," the *Journal* writes. "The FDA will be able to ask companies for more information about the potential contamination and may ask them to conduct an internal investigation.

"Companies that don't report potential food-borne outbreaks within 24 hours may face an injunction, fines or other punishment. Prior to the launch, many companies submitted reports of potential outbreaks to the FDA voluntarily."

Burd Predicts Demise Of Some Brands As Private Labels Surge

The *Wall Street Journal* this morning reports that at the Goldman Sachs Global Retail Conference this week, Safeway CEO Steve Burd said that there is a glut of national brands, some of which may fall by the wayside as private brands have gained market share – putting pressure on national brands to lower prices, and on tertiary brands to simply prove their relevance.





"I do think that there probably are more national brands out there in various categories than there really needs to be," Burd said, adding, "If we can't provide a good consumer value with a national brand, than we'll push hard with our private label."

Aldi Tests Limited Credit Card Acceptance

The *St. Petersburg Times* reports that Aldi, which long has had a cash-and-debit-card-only policy as a way of trimming costs and keeping prices low, is testing the acceptance of credit cards at 15 stores in Oklahoma.

No word on what accommodations Aldi may have reached with the credit card companies involved in the test. The company has long only accepted cash and debit cards because the latter had a fixed transaction fee, as opposed to the credit card interchange fees that are a percentage of the entire transaction.

The Connection Between The Health Industry & The Food Industry

A number of emails yesterday referred me to an op-ed piece in the *New York Times* by Michael Pollan ("The Omnivore's Dilemma") in which he suggests that the biggest impact on the US health care system can be achieved through addressing the nation's generally poor diet.

"We're spending \$147 billion to treat obesity, \$116 billion to treat diabetes, and hundreds of billions more to treat cardiovascular disease and the many types of cancer that have been linked to the so-called Western diet," Pollan writes. "One recent study estimated that 30 percent of the increase in health care spending over the past 20 years could be attributed to the soaring rate of obesity, a condition that now accounts for nearly a tenth of all spending on health care."

"The American way of eating has become the elephant in the room in the debate over health care ... food system reform has not figured in the national conversation about health care reform. And so the government is poised to go on encouraging America's fast-food diet with its farm policies even as it takes on added responsibilities for covering the medical costs of that diet. To put it more bluntly, the government is putting itself in the uncomfortable position of subsidizing both the costs of treating Type 2 diabetes and the consumption of high-fructose corn syrup."

Pollan concludes that reforming the food system will be even more challenging than reforming health care. "Cheap food is going to be popular as long as the social and environmental costs of that food are charged to the future. There's lots of money to be made selling fast food and then treating the diseases that fast food causes. One of the leading products of the American food industry has become patients for the American health care industry."

But, he says, this could change if health care reform is passed by the Congress and signed by President Obama: "Even under the weaker versions of health care reform now on offer, health insurers would be required to take everyone at the same rates, provide a standard level of coverage and keep people on their rolls regardless of their health. Terms like 'pre-existing conditions' and 'underwriting' would vanish from the health insurance rulebook — and, when they do, the relationship between the health insurance industry and the food industry will undergo a sea change."

"The moment these new rules take effect, health insurance companies will promptly discover they have a powerful interest in reducing rates of obesity and chronic diseases linked to diet ... When health insurers can no longer evade much of the cost of treating the collateral damage of the American diet, the movement to reform the food system - everything from farm policy to food marketing and school lunches - will acquire a powerful and wealthy ally, something it hasn't really ever had before."

Elevating The Retail Brand "Beyond The Walls"

BrandWeek has an interview with Walgreens' chief marketing officer Kim Feil, in which she addresses the retailer's aggressive new advertising campaign to position the company as a consumer resource. Excerpts:

- "We (have) a clear insight into what our consumers want Walgreens to be, which is a resource to them, whether it's helping them do easy things like grabbing a gallon of milk on a Sunday morning to make breakfast, or something as complicated as [assisting] a newly diagnosed diabetic. This all led to the development of our new communication program."





- “We used to market all of our businesses as separate businesses, but what we really wanted to communicate is we are a comprehensive destination for pharmacy health care and a community-based services company - I hope consumers begin to understand that Walgreens isn't just a store - [we've got] the e-commerce site, they can access their services through the Web, in our clinics, in our employer work sites and in a lot of different places. We want to elevate the brand beyond the walls, and really focus on it as a brand that meets consumers where they are.”

FastNewsBeat

- Whole Foods released a results of a new Harris interactive survey that it commissioned showing that “two out of three (68 percent) U.S. adults have changed their cooking and eating habits because of the current state of the economy, with about half (51 percent) eating dinner at home more often and more than a third (37 percent) budgeting food shopping trips more strictly.

“At the same time, the survey found that the majority (76 percent) say they do not want to compromise on the quality of the food they buy, regardless of current food prices. While three in four (75 percent) also continue to purchase natural and/or organic foods in the same quantities as they always have, nearly two-thirds (65 percent) of consumers surveyed say they would like to find ways to be able to buy these foods within their budget.”

- Publix Super Markets said that it plans to open a 60,000 sq. ft. hybrid-organic supermarket in Naples, Florida, that will integrate elements from its GreenWise organic/natural foods format and its traditional store concept. The store is scheduled to open during the second half of 2010 and will be roughly 25 percent bigger than the typical Publix.

- *Bloomberg* reports that a study by software manufacturer Kronos suggests that hiring by supermarket chains, discounters and restaurant chains may be on the increase....slightly. According to the story, “Kronos analyzed the 8.9 million job applications received by 68 retailers in the first seven months of the year. In July, 2.99 of every 100 applications resulted in a hire, compared with 2.75 in January, a three-year low.”

- The *Charlotte Business Journal* reports that Harris Teeter is in talks to open a 50,000 square foot store near Nationals Park in Washington, DC, in a waterfront development currently called The Yards. One of the main criticisms of this area of the city is that while it has 2,000 residents and a ballpark, it does not have all the amenities of a vital and functioning neighborhood – and a supermarket is seen as a major step in that direction.

The MNB Wal-Mart Watch

- Good piece in *Advertising Age* about Walmart's “redesigned, repackaged and reformulated” Great Value private brand, saying, in part, that “to write it off as similar (to most generics) not only misses the point but underestimates its potential impact. The new Great Value is a game changer, not simply because of its size -- the brand is estimated to be larger than \$10 billion -- but because its novel approach to store-brand packaging and merchandising.” The company says that the goal is to differentiate “Great Value from other brands rather than trying to mimic them.”

That has meant improving the quality and hiring brand marketing executives used to competing in the national brand CPG business, though the approach is not without risks. As *Ad Age* writes, one of them” is to what extent Walmart will trade consumers down from the brands that have been its bread and butter for decades, which could depress same-store sales but possibly sweeten profits and margins.”

- The *Wall Street Journal* reported that Walmart has begun using its website to sell merchandise from outside retailers, an effort that added an estimated one million SKUs to its online offering. Walmart handles the transaction but not the fulfillment – it never touches the merchandise.

The move put Walmart in even more direct competition with Amazon.com, which offers a similar service.



- The *Wall Street Journal* reported that Walmart plans to stop handing out payroll checks to its employees, but rather will roll out a system that will transfer earnings to a MasterCard debit card if the employee does not want direct deposit to a checking account. According to the story, the move is expected to save more than 250,000 pounds of paper a year, plus significant costs in its payroll department.

- Walmart's Project Impact Having Biggest Impact On Competition

Time magazine has a piece this week about Walmart's Project Impact initiative, which it defines as having three objectives: "One goal of Project Impact is cleaner, less cluttered stores that will improve the shopping experience. Another is friendlier customer service. A third: home in on categories where the competition can be killed."

And here's how the always-reliable and perceptive Burt Flickinger III, managing director for Strategic Resources Group, assesses the company's results so far: "They've got Kmart ready to take a standing eight-count next year. Same with Rite Aid. They've knocked out four of the top five toy retailers, and are now going after the last one standing, Toys "R" Us. Project Impact will be the catalyst to wipe out a second round of national and regional retailers."

"It's clear that, under Project Impact, Walmart will make major plays in winnable categories," *Time* writes. "The pharmacy, for example, has been pulled into the middle of the store, and its \$4-prescriptions program has generated healthy buzz. With Circuit City out of business, the electronics section has been beefed up. Walmart is also expanding its presence in crafts. Sales at Michael's Stores, the country's largest specialty arts-and-crafts retailers, have sagged, and Walmart sees an opportunity. Stores are chock-full of scrapbooking material, baskets and yarns. "Look, they're selling the stuff that accounts for 80% of Michael's business, at 20% of the space," says Flickinger. "It's very hard for any company to compete with that."

- *Dow Jones* reports that Walmart CEO Mike Duke is expecting a lot of last-minute end-of-year holiday shopping this year, and so will delay putting up Christmas decorations until a little later than usual.

"The customer will use every bit of intelligence, price comparisons and shopping on the Internet," Duke told at a Goldman Sachs retail conference Thursday, referring to a global consumer frugality that will affect sales through the end of the year.

The Balance Sheet

- Costco said that its August sales were flat at \$5.4 billion, on same-store sales that were off two percent. Fourth quarter sales were down three percent to \$21.9 billion, on same-store sales that were down five percent. And, Costco's annual sales fell two percent to \$69.9 billion, on same-store sales that were down four percent.

Family Dollar Stores said that its fourth quarter net sales were up 2.6 percent to about \$1.81 billion, on same-store sales that were up one percent.

Target Corp. said that August sales were up 0.1 percent to \$4.86 billion, on same-store sales that were down 2.9 percent.

- PriceSmart, the membership club chain, said that its August net sales increased 3.5 percent to \$102.5 million from \$99.00 million in August a year earlier. For the twelve months ended August 31, 2009, net sales increased 11.6 percent to \$1,224.3 million from \$1,097.5 million for the twelve months ended August 31, 2008.

August same-store sales were up 0.6 percent, while annual same-store sales were up 8.7 percent.

- Dollar General said that its second quarter net income was \$93.6 million, up from \$27.7 million a year earlier. Q2 net sales rose 11.2 percent to \$2.90 billion, on same-store sales rose 8.6 percent.

Executive Suite

- Walmart announced that Scott Price, the former CEO of DHL Express Europe, has been hired to be the company's executive vice president, president and chief executive of Walmart Asia, which includes China, India and Japan.



Retail Industry News from IRI



- Walgreen announced that it has hired Tim Theriault, a financial services industry veteran, to be its new chief information officer.

Denise Wong, who has been serving as CIO for Walgreen, has been named corporate vice president of information technologies, focusing on in-store retail and corporate IT systems.