

- Retail Industry News from IRI for Week Ending 9/14/07-

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Thanks to MNB
for this selection of
articles.

CBS Targets Supermarket Shoppers Yet Again

CBS, which last week acquired SignStorey, the digital display company with flat-screen televisions in more than 1,400 US supermarkets, for \$71.5 million, will target US supermarket shoppers in new ways starting this week.

Advertising Age reports that "after inscribing laser-coded CBS logos and slogans last year on more than 35 million eggs to promote its fall schedule, the network is staking out new territory at local supermarkets around the country ... labels touting CBS' new prime-time lineup are expected to appear on packaging and containers available at supermarket deli counters. So your half-pound of sliced honey ham could bear a label that tells you to be sure to tune in for CBS shows such as "Viva Laughlin," "Cane," or "Two and a Half Men."

According to the story, "The promotion involves the printing and distribution of millions of coupons and labels to thousands of grocery stores nationwide, including Safeway, Albertsons and Price Chopper, among others. CBS said 70% of shoppers frequent the deli, meat and seafood section of their supermarkets, which means its food labels will have the potential to snare attention."

According to George Schweitzer, president of CBS Marketing Group, this part of an expanded effort by the network to use nontraditional media to reach potential viewers.

Whole Foods To Lay Out Detailed Plans By The End Of September

The *Rocky Mountain News* reports that Whole Foods co-COO Walter Robb has informed a Goldman Sachs retailing conference that "Whole Foods will close fewer stores than it originally had planned after buying Boulder-based Wild Oats," and that it plans to identify the units it will close by the end of the month.

The \$565 million acquisition, which was opposed by the Federal Trade Commission (FTC) on competitive grounds but allowed to go forward by the courts, increased Whole Foods 307-unit fleet by 110 stores.

"They gave us the keys and they left town," Robb said of Wild Oats management, according to the *News*. "We are well down the road with this in terms of cultural integration."

7-Eleven Targets Premium Wine Drinkers With New Own-Label

Convenience store chain 7-Eleven reportedly will introduce a new private label wine brand, Sonoma Crest Cellars, meant to complement its existing own-label wine, the Thousand Oaks brand. The difference between the two: Thousand Oaks is a value brand priced at under \$10, while Sonoma Crest is positioned as being a premium wine.

Sansolo Speaks: Star Power

by Michael Sansolo

In the never-ending battle to create differentiation in the marketplace, Hannaford Bros. gets a gold star. Or maybe two or three.

A year ago, Hannaford took a big chance with its Guiding Stars program. In retrospect, the program looked like a sure winner by highlighting healthier product choices to a population that is growing increasingly concerned with how they eat. Remember though that success always looks like a sure thing when considering it in retrospect.

Let's also recall that many sure things become anything but. The economic turbulence of the past year could have easily overwhelmed the Hannaford program if consumer choices became more price-based than usual. And let's not forget how many *healthier* products have shown only marginal success when shoppers desire for a healthier lifestyle didn't translate into checkout lane bonanzas.

Hannaford took a chance and consumers responded by taking Guiding Stars and its suggestions very seriously. As Hannaford told *MVB* in an exclusive interview, starred products widely outperformed their competitors. Hannaford's suggestions helped shape shopping and buying and the program is now set to grow.

Differentiation is the constant buzzword of the industry these days. Of course, differentiation also means taking a chance that your shoppers will like what you have decided will make you special. There are countless examples of store designs, format and products that didn't make the cut. Figuring out value is anything but clear-cut.

A big part of the problem is that shoppers can be so wonderfully contradictory. The same shopper who will complain loudly over a five-cent rise in the price of one product will eagerly spend that additional money and more on a product they see as providing a special value. (Otherwise, someone explain the lines for coffee at Starbucks.)

Yet there are tools to understanding shoppers. *The World According to Shoppers*, a study released in 2004 by the Coca-Cola Retailing Research Council of North America, is one such tool. It examines the different mindsets that might move a customer to choose one store or another and how those mind sets change between shopping trips. The bottom line of the study was simple: be something or be nothing, but make sure that whatever you choose is what your customers want. And make sure it is something you do better than the competition. The study can be found at www.crrc.org. (Full disclosure time here: I am a member of the Coke Council through my work at FMI.)

But the study can only take us so far. We all have to stay up on the changing goals and desires of shoppers that now translate into their choices in so many ways. What's unthinkable one day might be perfectly valid the next.

I saw a powerful example of this during my recent trip to Australia. Sydney's major morning newspaper reported that about eight percent of Australians were willingly spending more money to sign up for environmentally friendlier energy. The cost for an Australian family opting into this new program ranges from \$50 to \$400 per year.

Now clearly, eight percent could easily be explained as reaching a small, but committed audience with the financial power to absorb the cost. However, the lesson is just as profound. People are spending more for a cause they believe in.

We all know it will happen again. It might be issues of health, environment, politics or any other cause that strikes at the heart of a shopper. It might be an issue we don't even see yet or one that no one can articulate. But it's coming and the question that should be asked inside every company is pretty simple: How are we going to shoot for the stars?

Giant Battle Against Wegmans Shaping Up In Harrisburg Market

In Pennsylvania, the *Patriot-News* reports that a new 132,000-square-foot Wegmans is shaping up as new and formidable competition in the Harrisburg market for Ahold-owned Giant Food, which dominates the food business there. Giant got aggressive even before Wegmans opened, lowering the prices on 10,000 items at about 20 area stores. And the expectation is that Giant will continue to fight back against Wegmans, refusing to go down quietly in the face of such impressive competition.

Indeed, Giant has experience with competition, with Weis Markets being a tough competitor in many communities. Dennis Curtin, a spokesman for Weis tells the *Patriot-News* that when it has competed with Wegmans in the past, it has fared "very effectively" in terms of prices, convenience of locations and the quality of its private-label offerings.

Supervalu Goes To School On Shoppers

The *Minneapolis Star Tribune* reports that Supervalu plans to spend some \$1.2 billion revamping old stores and building new ones during the coming year – but that it is doing so by relying "on census data, sales records and a grocer's knowledge that we don't all shop the same way.

"It's not just new shelves and shining up the meat counter. There's little left to chance in the layout of a grocery store. Aisle widths, product placement, wall colors and lighting all play a role in sales." And Duncan MacNaughton, Supervalu's executive vice president of merchandising and marketing, tells the paper that there's one central goal: "We want the food to pop ... We want the store to disappear."

The *Star Tribune* writes: "Remodels certainly aren't new at Supervalu. But they have become increasingly sophisticated.

"The company has nearly completed construction of a test store a mile from its Eden Prairie headquarters to experiment with store layout, lighting and design, the first such venture in company history. The test store also houses a kitchen for development of Supervalu private label foods.

"To know their customer, the folks at Supervalu use everything they can get their hands on. Surveys they conduct themselves, data they collect through loyalty cards (which give discounts to those enrolled and have become popular in other markets but not so much in the Twin Cities), census data that show ethnicity, income levels and education in the surrounding community, and records that show what's selling.

"This is what it knows. Supervalu's primary customers are women, 25 to 54 years old, with children. And shoppers generally fall into one of seven types, according to Supervalu, including the convenience shopper, the luxury shopper who looks for gourmet products, the cooks, the healthy shopper, the aspiring shopper who wants to cook but doesn't know how, the deal-seekers and the one-stop shopper who does everything all at once."

And here's another key insight: "Instead of just building bigger stores, the company has begun a new focus on the food, with signs explaining the nutritional values of peppers, for example, and butchers coming out from the back of the store to stand behind meat counters and interact with customers."

Connecticut Retailer Embraces "Buy Local" Trend With Fall Promotion

Stew Leonard's, the four-unit chain of fresh food stores based in Connecticut, has announced that beginning this weekend and running through the end of October, it will sponsor a series of farmer's market events focusing on locally grown produce.

"Corn, peppers, eggplants, tomatoes, peaches and apples are just several of the locally grown produce that will be featured at Stew Leonard's 'It's All Native' farmers markets events taking place at all four store locations throughout the months of September and October," the company said in a statement. "Growers from family farms in Connecticut, New York and New Jersey will be on hand to answer questions and help consumers connect to where their food comes from and how it is grown."

Events will include sampling, cooking lessons and special programs for children.

"The biggest benefit to buying local for many consumers is simply that the food just tastes better, because it is fresher. The farmers that we work with literally deliver the fruits and vegetables to our stores the same day they are picked from the field," said Stew Leonard, Jr., president and CEO of Stew Leonard's.

"Always Low Prices" To Be Replaced As Wal-Mart Slogan

The *Wall Street Journal* this morning reports that as Wal-Mart launches its fall and holiday season advertising campaigns, it will not be using the familiar "Always Low Prices" tagline that it has featured for almost two decades. Rather, it will use a slogan that it hopes will lure more affluent shoppers through the front door: "Save Money. Live Better."

The first campaign carrying the new tagline began last night on cable and broadcast television, and according to the *Journal*, it highlights "name brand products to impart quality" and portrays "warm scenes of families with a tagline that promises a good life for less."

Various spokesmen say that the company is aiming to attract customers at all income levels, who are familiar with Wal-Mart but don't know about the breadth of merchandise available in its stores.

Safeway To Unveil Solar Powered Store

Safeway is scheduled to show off its first solar-powered store today, at a unit in Dublin, California, where an acre-wide rooftop solar array provides energy for the 55,000 square foot store.

According to the company, this solar store is just part of its "green power initiative," which it described in the following terms:

"Solar and wind energy are just part of Safeway's extensive company-wide environmental focus. The company has invested in other retail-based energy savings strategies to reduce the company's carbon power demand such as new energy-efficient refrigeration and lighting. Safeway is one of the largest retail recyclers of paper, cardboard, plastic and other materials. The company is at the recently joined the Chicago Climate Exchange, the world's first and North America's only voluntary, legally binding greenhouse gas emissions reduction registry and trading program. Safeway has committed to reduce its carbon footprint from the base year 2000 by 390,000 tons of carbon dioxide. Additionally, each year Safeway recycles enough paper, cardboard, plastic and other materials to fill a football field 190 feet high."

The Price Will Be Right, Even When Wrong

Two interesting stories out of the UK about retailers and price...

In one piece, the *Evening Standard* reports that "As dairy, bread, pasta and meat prices surge on the global markets, Tesco, Sainsbury's and other supermarkets have been forced to put up prices in their stores.

"Asda, however, is planning a high-risk strategy to take a massive hit to its profit margins by absorbing most of the increase known in the trade as 'agriflation'. Sources at the chain, owned by US giant Wal-Mart, admit the company is seriously concerned that its cash-strapped shoppers may feel forced to defect to cheaper rivals Lidl, Aldi and Netto if it passes on too much of the extra cost burden ... Analysts said Asda was in a more precarious position than Tesco and Sainsbury's because the public see it as the cheapest of the three, and are more likely to trade down."

According to the paper, "An Asda spokesman confirmed the policy but declined to say how much of a hit it would take on profits. He added that the store would still be pushing through some price rises where it could. On goods that are less hit by agriflation, such as cosmetics, it would attempt to cut prices."

Meanwhile, the *Guardian Unlimited* has a story saying that Tesco CEO Sir Terry Leahy believes that the company should raise its prices in order to deliver "a revolution in green consumption."

The *Guardian* writes that Leahy believes business, consumers and government will be forced to make big changes "to move to a low-carbon economy and that could mean prices would have to rise. 'We have to do this,' he said.

"Carbon costs have 'not yet been priced into consumption today' and business would have to take account of the damage it was doing to the environment," according to Leahy.

The *Guardian* continues: "Sir Terry said consumers expected the company to take a lead in helping them follow greener lifestyles and would accept price increases if they could see the value of them. He said Tesco would not be out of line with its rivals because they would have to make similar changes.

"Sir Terry, who has become one of the UK's most outspoken advocates of corporate environmental responsibility, said 'the global threat from climate change is now clearer than ever' and warned 'the whole economy has to change' for developed countries to cut their carbon emissions by 80% by 2050."

Tesco To Open US Stores In November...Probably

The *Wall Street Journal* reports that Tesco CEO Sir Terry Leahy is saying that it is likely that the company's first US stores – called Fresh & Easy Neighborhood Markets, and scheduled to roll out in Southern California, Arizona and Nevada – will be opened in November. Though he's not saying exactly when in November.

FastNewsBeat

- Loblaw reportedly plans to create what is called a “pop-up store” called Joe Fresh that will be based in a tractor-trailer truck and will travel across Canada to five major Canadian cities.

Joe Fresh is described by Loblaws on its website as its “brand new apparel department” for men, women, boys and girls, which offering “clean, crisp and oh-so stylish wardrobe separates and staples.”

- In San Francisco, the 9th Circuit Court of Appeals has ruled that Judge Jeffrey S. White of the U.S. District Court for the Northern District of California acted appropriately when he granted Albertsons a preliminary injunction allowing it to use the “Lucky” brand name that Grocery Outlet claimed it had abandoned.

In making its original claim, Grocery Outlet branded a single store as Lucky. Since disputing the Grocery Outlet claim, some Albertsons stores have been sold to Save Mart, which is rebranding some of them as Lucky.

The case now returns to Judge White for further – and, presumably more permanent – action.

- *Forbes* reports that on Monday, the US Food and Drug Administration (FDA) held a meeting for “food companies, trade groups, watchdog organizations, medical experts and its overseas counterparts to share how front-label symbols, like the ‘traffic light’ system used in Britain, can improve public health.

“The FDA stressed the meeting was a preliminary step as it considers whether to establish a national symbol system. Any action is likely years away - and, even then, any system is likely to be voluntary.”

- The *Austin Business Journal* reports that H.E. Butt Grocery Co. will acquire five Albertson's store locations in the area.

“Central Texas is growing fast and this is part of our long term plan to keep up with that growth,” Jeff Thomas, HEB senior vice president and general manager of the Central Texas region, tells the paper. “We've been wanting to serve these neighborhoods for a long time.”

According to the story, HEB plans to double the staff size at each of the new stores.

- Published reports in the Florida press note that Publix is scheduled to open its first GreenWise Market in just 12 days. The GreenWise concept, which is the first of several stores scheduled to be opened that will expand on Publix's successful GreenWise sections inside its traditional stores, will offer natural, organic and prepared foods as well as a “healthy lifestyle” concept that offers information and recipes on a n ongoing basis.

- The Food Marketing Institute (FMI) presented the 2007 Maximizing People Potential Award (MAXX Award) to Lund Food Holdings and Wegmans Food Markets, recognizing superior training and human resource programs.

Lund earned the award in the smaller company category (up to 4,000 employees) for an orientation program that reduced turnover among new employees from 56 percent to 39 percent in its first year. Wegmans was recognized in the larger company category (4001 or more employees) for its Hillside Work-Scholarship Connection (WSC) Program.

The companies were honored this week at the FMI Human Resources/Training and Development Conference.

The MNB Wal-Mart Watch

- Wal-Mart reportedly is scheduled to open a new, environmentally friendly Sam's Club membership warehouse store this week, in Fayetteville, Arkansas. Published reports say that not only does the store endeavor to use less energy, treat water before it enters the sewer system, and harvest rainwater to irrigate landscaping, but it also has recycling facilities for tires, batteries, cardboard, single-use cameras, food, and plastic.
- The *Los Angeles Times* this morning reports that Wal-Mart has said that David Porter – who was a top executive in home video and music merchandising at the retailer before resigning to work at DreamWorks Animation SKG – will not be allowed “to deal directly with the retailer for the next five years to avoid the appearance of favoritism.”

According to the story, “Porter had intimate knowledge not only of Wal-Mart's inner workings but also of the home video strategies of DreamWorks' Hollywood rivals,” but that Wal-Mart “doesn't want other studios to think DreamWorks has an unfair advantage because Porter is on its team. Home video is a crucial source of revenue for the studios, often determining whether a movie makes a profit or not.” Wal-Mart is responsible for about 40 percent of all DVD sales in the US.

- The *Wall Street Journal* reports this morning that Subway has supplanted McDonald's as Wal-Mart's fastest-growing in-store fast food concession, opening more than three times the locations inside Wal-Mart stores as the burger giant has. In part, this is said to be because Subway is on faster growth curve in general, while McDonald's focuses on growing same-store sales and margins.

But there may be something else going on, too. “Wal-Mart's embrace of Subway comes as Wal-Mart battles an image as a ruthless corporate giant with stingy wages and benefits for employees,” the *Journal* writes. “Looking to portray itself as a good citizen, Wal-Mart has been tackling greenhouse gases and wasteful packaging. Pitching the virtues of ‘sustainability,’ it also has been emphasizing healthier foods at its stores, including organics. As it struggles to cap rising health-care costs, Wal-Mart has singled out employee diets as a concern. Andy Ruben, Wal-Mart's vice president for corporate strategy and sustainability, suggested this spring that ‘eating healthy meals instead of fast food’ might be a good start.”

The Balance Sheet

- Wal-Mart de Mexico reports that its total August sales were up 7.7 percent to the equivalent of \$1.57 billion, on same-store sales that were up one percent.
- PriceSmart, which owns and operates U.S.-style membership shopping warehouse clubs in Central America and the Caribbean, reports that its August sales increased 22.9 percent to \$75.5 million from \$61.4 million in August a year earlier. For the twelve months ended August 31, net sales increased 20.8 percent to \$869.1 million from \$719.6 million in the same period last year. August same-store sales were up 22.5 percent, and annual same-store sales were up 20.1 percent.
- Pathmark reported a second quarter loss of \$18.8 million, compared to a loss of \$8.8 million during the same period a year ago.

Revenue for the period ended dropped to \$998.5 million, down from \$1 billion in the previous year. Same-store sales for the quarter dipped 0.2 percent.

Pathmark said that the Q2 figures included \$7.2 million in costs related to its acquisition by The Great Atlantic & Pacific Co. (A&P).

Executive Suite

- Sears Holdings Corp. has named J. Miles Reidy, CFO at Capital One Financial Corp., to be its new CFO – the third person to hold the job there in 2007. He succeeds William Reidy, who has been serving both as CAO and interim CFO since the departure of the previous CFO, Craig Monaghan, who left the job last January after just six months.
- Safeway announced that Michael R. Minasi, senior vice president of marketing, has been promoted to the role of president of marketing.