

- Retail Industry News from IRI for Week Ending 9/28/07-

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Thanks to MNB
for this selection of
articles.

Online Ordering, In-Store Pickup Gaining Momentum As Shopping Pattern

The *New York Times* reports this morning that "offline retailers are increasingly offering a way for consumers to shop online but pick up the goods in stores, allowing them to avoid shipping costs and choose from a wider selection of items than their local stores can stock. Because customers tend to bolster these purchases with others once they get into the store, retailers are profiting handsomely."

One example of the trend is Wal-Mart, which has completed a national rollout of its "Site to Store" service, and now says that roughly one-third of all its online purchases are utilizing the program.

"It's gone incredibly well," says Raul Vazquez, CEO of Walmart.com. "None of us expected to see it reach this percentage of sales at this point."

Also apparently true is that consumers see the real value of the program. "It is not yet clear whether customers are merely buying goods they would have bought anyway at the stores," the *Times* writes. "However, in eliminating shipping charges, the Site to Store program is erasing a hurdle cited by many consumers who browse, but do not buy, online. Walmart.com's customers have avoided a total of \$10 million in shipping charges through this program since it was introduced this spring."

Winn-Dixie & Kellogg's Team For Health Screenings

For the second year in a row, Winn-Dixie is teaming with Kellogg Co. to host health screenings at 100 of its 521 stores.

The goal is "to give consumers the opportunity to better understand how to improve their health," the *Jacksonville Business Journal* reports. "Screenings, valued at about \$25, will include blood pressure, body mass index and cholesterol, according to Kellogg. Some screening participants also will receive a free booklet with health information and tools."

Tesco's US Expansion Plans Get Clearer

The *East Bay Business Times* reports that UK-based Tesco has added some 48 locations – in Riverside and San Bernadino counties - to its plans for a Southern California rollout, in addition to the 50 previously announced units in Southern California, Las Vegas and Phoenix/Scottsdale.

In addition, Tesco now is saying that it plans to expand into Northern California and the San Francisco Bay Area, possibly as soon as early 2008.

The Tesco stores, called Fresh & Easy Neighborhood Markets, are scheduled to begin opening in November. While the company has played its cards close to the vest, it is known that they will be about 10,000 square feet, will emphasize healthy and nutritious foods, and will feature proprietary brands as well as fresh and packaged, prepared "convenience" driven products. To this point, Tesco seems to be interested in a range of demographic locations, choosing inner city locales as well as upscale suburban neighborhoods.

Tesco's desire to localize its offering is seen in an interview run by *Silicon.com* with its group IT director, Colin Cobain, who says that "Technology is an important part of the international growth strategy. What we want to do is create a common suite of processes and systems that we can use in all of our countries. To do that what we've started off in the US - where we're due to launch later this year - we're building a suite of integrated processes and systems that will enable us to run that business. We'll have common processes and systems but the offer to the customer will be very local. It will not look like it does in Cheshunt (the company's UK headquarters) or Korea. It will be a very specific offer for that group of customers and that's really important for us."

Cobain also suggests that by being choosy and focused, Tesco actually is able to spend less on technology than other retailers of its size. "We try not to spend money on things which don't add value and then we can actually invest wisely in things which really improve our processes and deliver competitive edge," he says.

Publix Unveils Its GreenWise Future

The *Wall Street Journal* joins the chorus of media outlets reporting on the opening of the new Publix GreenWise store in Palm Beach Gardens, Florida. (*MNB* reported on this weeks ago, and it seems like everybody in Florida has carried a story about the format, which Publix describes as "the future" and what it has to do to remain competitive.)

For Publix, the *Journal* writes, "it's the next step in trying to capture more of the fast-growing organic food segment after it started selling organic and natural products under its GreenWise brand eight years ago. The store "carries meats with no added hormones and a produce section that has 50% organic products compared with roughly 10% in conventional stores. It will also have hundreds of other products not available in conventional Publix locations.

"Publix also hopes to appeal to health food buffs and gourmards with prepared foods like Italian stuffed shrimp, low carb mashed cauliflower and Japanese-style tempeh. The prepared fare also includes an Asian fusion hot bar with vegetarian options, cold salad bar, a gelato and organic coffee bar, a Mediterranean pizza oven and a grill and carving station." As well as Oreos and other mainstream offerings, of course – Public hopes to differentiate itself from the likes of Whole Foods by having a broader selection that will appeal to more shoppers.

Imprecision & Inaccuracies In The Grocery Aisle

A new study released by Gladson Interactive suggests that 90 percent of the over 200,000 products examined contained at least one error in either product height, width or depth dimensions – and that nearly one in every five products had errors of greater than 25 percent.

According to Gladson CEO Mike Spindler, “Studies conducted in the mid-1990’s by a leading packaged goods manufacturer estimated that a planogram goes out of compliance at the rate of ten percent each week,” he says. “Based on our findings, there is a high probability that most planograms are never set as intended in the first place due to these product measurement inaccuracies.” These inaccuracies, he says, are a major cause of out-of-stocks, which lead to customer dissatisfaction.

Wal-Mart Expands Generic Drug Discount Program

Wal-Mart announced yesterday that it is expanding the list of generic drugs that it sells for \$4 for a one-month supply, and is creating a second tier of more expensive generics that it is selling for \$9. This will mean that 361 products made up of 157 medial compounds are now covered by the program.

According to the statement released by the company, “Important prescription medicines have been added to the \$4 program covering glaucoma, attention deficit disorder/attention deficit hyperactivity disorder (ADD/ADHD), fungal infections and acne. Fertility and prescription birth control will also be included at \$9, compared to national average prices ranging from \$24 to \$30 per month and saving women an estimated \$15 to \$21 per month -- \$180 to \$250 annually.”

In addition, the company said, it will be moving newly released generic drugs to the \$4 list more quickly.

Wal-Mart prescription savings program has saved consumers more than \$600 million during its first year of operation, according to figures released by the company. In addition, Wal-Mart says that generics covered under the program have accounted for 40 percent of all prescriptions filled at its pharmacies since the program began.

The *New York Times* notes in its analysis of the announcement that it “may give a glimpse of the future at Wal-Mart pharmacies. The company seems to be reaching out to a younger and broader drug clientele as it tries to expand its piece of the nation’s \$250 billion retail pharmaceutical market beyond its current share of 5 to 6 percent.

“Many of the drugs previously on the Wal-Mart plan were heart, high blood pressure and diabetes drugs commonly used by older people. But yesterday, the company added to its \$4 list methylphenidate, a drug for attention deficit and hyperactivity disorder that is commonly used for school-age children.

“Perhaps more significant, Wal-Mart said it would start selling generic versions of two popular birth control pills for \$9 a month, appealing to an estimated 11 million women in America, most of them under age 40, who use oral contraceptives.”

FastNewsBeat

- The *Columbus Dispatch* reports that Giant Eagle “is lowering prices on 450 items by about 12 percent. The items to be reduced include canned goods, pastas and dinner mixes -- products that can be used by customers to ‘develop quick and easy meals,’ according to the company.”
- The *international Herald Tribune* reports that UK retailer Sainsbury is more favorable toward a proposed \$21 billion (US) takeover offer tendered by Delta Two, the investment arm of the Qatari government. The Sainsbury family originally was resistant because they were concerned that the financing would overload the retailer with

two much debt, but Delta Two then restructured the bid to make it more acceptable. However, local press reports suggest that it is far from a done deal, with much due diligence and regulatory approvals still to come.

- Susser Holdings Corp. will acquire San Angelo, Texas-based Town & Country Food Stores, a 160-unit chain of convenience stores in Texas and New Mexico, for about \$361 million.

- The *Des Moines Register* reports that supermarkets in the Midwest are turning to urban areas to help fuel new growth opportunities.

“With big-box retailers heating up competition in the suburbs, Des Moines grocers seek urban customers with stores nestled in neighborhoods,” the *Register* writes. “Most recently, West Des Moines-based Hy-Vee Inc. announced plans to build a store in Beaverdale, an established neighborhood in the Des Moines, and Dahl’s Foods has crafted plans to expand and renovate its store on Ingersoll Avenue in a bustling residential and commercial area. Both projects have met protests from concerned neighbors who worry about how increased noise and traffic and the appearance of the stores would change the flavor of their communities.”

- The *Wall Street Journal* this morning reports that “a sharp climb in costs for wheat, dairy and crude oil has forced firms ranging from cereal companies to cheese makers to raise their prices. But while the higher prices have helped keep profits robust, they also run the risk of forcing consumers to buy less or to look for better bargains.”

- In Canada, Sobey’s reportedly has launched a new line of about 100 kids-oriented products in concert with Disney, targeted at kids between the ages of three and 12. Called Compliments Junior Disney, the brand contains no artificial flavors or colors and no added hydrogenated oils.

- New Jersey-based Topps Meat Co. reportedly has recalled more than 150 tons of frozen ground beef products that may be contaminated with the E. coli bacteria.

- Happy Birthday, Pathmark. The company reportedly plans to celebrate the 39th year of its existence with a series of promotions...knowing, of course, that if it is acquired as planned later this year by the Great Atlantic & Pacific Tea Co. (A&P), it won’t be around to celebrate its 40th birthday.

- The *Tribune-Review* reports that Giant Eagle will now be able to purchase a former LeNature bottling plant in Latrobe, Pennsylvania, even if not through the original process that it intended. A bankruptcy court has approved the sale of the plant to Cadbury Schweppes, which plans to sell it to Giant Eagle.

The decision came after the same judge ruled that Giant Eagle had placed inappropriate pressure on Cadbury Schweppes – threatening to stop selling some of its products – when it discovered that the beverage company was bidding against it to acquire the plant.

- The Food Marketing Institute (FMI) yesterday called for aggressive measures by the industry and government to strengthen America’s food safety system and restore consumer confidence, as FMI Vice President of Food Safety Programs Jill Hollingsworth testified before the House Energy and Commerce Health Subcommittee on the proposed Food and Drug Import Safety Act (H.R. 3610).

“This effort must include how food retailers and wholesalers work with suppliers, our commitment to train our own people and our outreach to consumers,” Hollingsworth said. “It is a farm-to-table challenge that needs a farm-to-table solution. It is a domestic and an international problem that the industry and government must address together.”

- CVS reportedly will expand its in-store health clinic presence by opening 10 facilities in the Pittsburgh area by the end of the year. This puts CVS’s health clinics in 24 states and in almost 300 stores. The company says it should be in 400 stores by the end of the year, and in 650 by the end of 2008.

- Whole Foods is opening a new “market hall” concept store in Oakland, California, that will have an unorthodox layout focusing on convenience and shopability, as well as an environmentally friendly design.
- Winn-Dixie yesterday reopened one of its stores that was ravaged by Hurricane Katrina two years ago in East New Orleans, and used the occasion to have its CEO, Peter Lynch, remotely ring the opening bell at the NASDAQ.

“We are thrilled to have this opportunity to use the NASDAQ opening bell ceremony to help show the nation and indeed the world how the people of New Orleans have recovered from the devastation of Katrina two years ago,” said Lynch. “Immediately after the storm, Winn-Dixie committed to doing our part to help rebuild this community that has supported us for more than half a century. I’m proud to say that this is the third totally rebuilt store we have opened in the New Orleans area since the hurricane, and the first store that has reopened east of the Industrial Canal.”

- The Great Atlantic & Pacific Tea Co. (A&P) announced that it opened what it called a “dramatically redesigned Fresh concept prototype” yesterday in Park Ridge, NJ.

“In reinventing the food shopping experience for our customers, our goal in Park Ridge was to marry the best elements of innovative American and traditional European food-selling approaches,” said Eric Claus, A&P’s president/CEO. “So in and around our full range of grocery products, we’ve put together a neighborhood of shops under one roof. These are not just departments - they’re fully stocked specialty shops offering the finest fresh foods and complementary products.”

- PepsiCo and Starbucks announced yesterday that they will expand their partnership and bring their bottled coffee and espresso drinks to China, where there already are more than 540 Starbucks stores.
- The *Chicago Sun-Times* reports that the Dominick’s store opened in the West Town neighborhood of Chicago is the first in the chain to have self-checkout systems, though the company says that it plans to install similar lanes in all of its 81 other stores.

The MNB Wal-Mart Watch

- Wal-Mart announced yesterday that it plans to invest \$100 million (US) in Argentina next year as it opens at least 10 new stores there.

The Balance Sheet

- Rite Aid said that it suffered a second quarter loss of \$78.2 million, more than nine times worse than the loss of \$8.2 million during the same period a year ago. This was despite the fact that quarterly revenue rose almost 54 percent to \$6.6 billion; same-store sales were up 1.1 percent.
- Spice maker McCormick & Co. reported Q3 net income of \$56.8 million, up from \$43 million during the same period a year ago. Sales grew eight percent to \$716.2 million.

Executive Suite

Published reports say that Barry Scher, who has worked for Giant Food for more than four decades and served not just as a spokesman for the company but also as an influential voice within the industry in the area of public affairs, will retire at the end of the month. He will continue to work for the Ahold-owned company as a consultant.

- Golub Corporation/Price Chopper Supermarkets announced that Jon Finlan, the company’s director of internal audit, has been promoted to the position of Vice President of Internal Audit, reporting directly to Neil M. Golub, the company’s president/CEO.