

## **- Retail Industry News from IRI for Week Ending 10/05/07-**

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Thanks to MNB  
for this selection of  
articles.

### **7-Eleven Pours New Enhanced Coffee Line**

Convenience store chain 7-Eleven has introduced a new coffee line called Fusion Defense, which is laced with herbs said to enhance the body's immune system, including echinacea, ginseng and astragalus. The coffee is a follow-up to its Fusion Energy, a coffee enhanced with herbs to stimulate mental alertness.

### **In Corporate America, Going Green Has Become A High Priority**

Interesting piece in *Forbes* about how various companies are "going green," in the sense that they are working to reduce the impact of their various operations on the environment. "Whether ensuring sustainable agriculture and seafood production, reducing the use of synthetic chemicals in favor of plant-based alternatives or teaching children about endangered animals through its products, some major American companies are doing their part to protect the environment," the magazine writes.

Examples cited include Adidas, Gap, H&M and Ikea, which "all support the Better Cotton Initiative. This group, which estimates that cotton consumes 11% of the world's pesticides and 2.4% of arable land, encourages better cotton farming practices.

Office Depot is another example: it has a "green book" that helps customers find the most environmentally friendly products in the store.

And McDonald's reportedly is using a scorecard to rate its various suppliers on their conservation efforts, and is taking business away from companies not living up to its standards.

## Study Suggests That More *Relevant* Information Sells More Product

Coming on the heels of the report a month ago that Hannaford Supermarkets' "Guiding Stars" program helped "starred" (and therefore, more nutritious) edible grocery items to grow 2.5 times more than products that were not given stars, a new study offers yet more evidence that information sells product.

This study comes from Healthnotes, which markets a kiosk-driven "Fresh Ideas" program that provides shoppers with seasonally relevant point-of-sale articles, recipes, and product information for key departments throughout the store—including meat & seafood, produce, wine, pharmacy, and nutrition. It showed that stores with the Healthnotes "Fresh Ideas" program had nearly two percent higher sales growth and were 16 percent more likely to outperform control stores.

The Healthnotes "Fresh Ideas" program was implemented in 67 stores of a major retail chain.

## Study: Healthy Living Could Save \$1 Trillion

The *Los Angeles Times* this morning reports that a new study by the Santa Monica-based Milken Institute suggests that better prevention, early detection, and healthier lifestyle choices by Americans could save the nation more than \$1 trillion in treatment expenses and lost productivity.

The conclusion is that the current health system in the US, which is largely oriented around treatment, "no longer serves the nation because the population is aging and because the incidence of obesity and preventable diseases among Americans of all ages, including children, has risen alarmingly in recent years ... It says a reorientation toward prevention could avert 40 million cases of seven chronic diseases -- cancers, diabetes, heart disease, hypertension, stroke, mental disorders and pulmonary conditions -- in the year 2023."

And, the *Times* adds, "The report recommends making rewards for prevention a part of any healthcare overhaul, and it urges a renewed commitment by policymakers to achieving a 'healthy body weight.' Reducing obesity alone to reasonable and achievable levels, the report says, could trim the incidence of disease by 14.8 million case in 2023, saving \$60 billion in treatment costs and improving the nation's economic output by \$254 billion."

## *Sansolo Speaks: Measuring Up*

*by Michael Sansolo*

If misery really does love company, we Mets' fans are on the prowl. Luckily for us, we don't ever have to look far. Finding misery is easy and sometimes fixing it is possible too.

Take this little historical episode. Back in 1999, NASA accidentally crashed a Mars Climate probe into the planet for just the dumbest of reasons. When you read this you might remember what happened. Some of the software for the flight operation was calibrated in the metric system, while part of the probe itself used the Imperial system. (Or maybe it was the other way around.) The bottom line is our tax dollars created a new little crater on Mars.

Precision matters and little things can cause big problems if they aren't watched carefully.

Luckily we don't crash probes into anything in the supermarket business, but it's not for lack of trying. *MNB* ran a story last week about the incredible number of products on the shelves that, according to one study, carry the wrong dimensions. The study's authors say these mistakes cause a host of problems, down to incorrect planograms.

There are two key questions in the study: how widespread are the mistaken measurements and what problems do they really cause?

The first question might be immeasurable. The study authors, Gladson Interactive, claim 90 percent of products have incorrect dimensions and, quite honestly, that could be right or wrong. In many ways, it's immaterial because the second question is so pressing. What problems are the measurements causing?

In an age of electronic communication, clean data is everything. Actually, it's the foundation of everything. Computers, wireless devices and the Internet make everything so much easier to do. But nothing works if the basic data is wrong.

If the dimensions on a product are wrong, everything can go wrong. Forget about planograms, what about the cube on trucks. There are stories around of trucks failing weight checks because product was heavier than it should be. And there are stories of trucks being underutilized because the capacity load projected by a computer didn't quite work out that way in reality. And the problem moves through the supply chain to the slots in the warehouse or the weight of cases that workers will be lifting.

None of those situations are hypothetical. I've heard countless retailers and wholesalers talk about the errors caused by sloppy dimensions and many, if not all, have an employee measuring products in a warehouse somewhere to correct the wrong information included in many on-line orders.

The reasons for the mistakes are actually pretty simple. Some are caused by changes in packaging or even small shifts in sizes between prototypes and final products. This being an industry of change, such things are bound to happen. And while the problem sounds so simple to fix (let's get everyone a ruler and a scale) the scope of the issue does make it challenging. But our business is about taking on the challenges and fixing them. Isn't it?

Logistics are hardly the sexiest item for a column like this. Details rarely are. Shoppers care about good prices, nice service, cleanliness and a nice shopping environment. They don't care how the product got there, they just care that it's there. But without sharp logistics, none of those other attributes work as well as they should. Without sharp logistics, the industry wastes fuel, wastes trucks, wastes back room space and wastes staff time. All are precious commodities and shouldn't be wasted lightly.

Fixing data isn't an issue of finger pointing. It's just something that has to happen together and stay better forever.

NASA hasn't crashed a probe into Mars since 1999. Apparently, they learned their lesson. Maybe we could all do the same.

## Unified Closes On Purchase Of Associated Grocers

Unified Western Grocers announced yesterday that it has completed its \$38.5 million acquisition of Seattle-based Associated Grocers.

According to a statement released by the company, "Among the assets purchased by Unified were AG's inventory of grocery products, equipment and furnishings; among the liabilities assumed by Unified were AG's payables, the non-union employee pension plan and the lease on the company's Seattle warehouse. Further, approximately 650 AG employees were hired by Unified and have commenced their employment with the company.

"Coincident to the transaction, Unified obtained new supply agreements from the vast majority of AG's existing customer base of grocery retailers. Unified also assumed certain existing supply agreements between AG and other retail customers, including an existing agreement with Haggen Food & Pharmacy and TOP Food & Drug."

John Runyan, the CEO of Associated Grocers, will stay with the company as executive advisor to Al Plamann, president/CEO of Unified.

## In-Store "Shopper Marketing" Could Impact Trade Promotion Dollars

*Advertising Age* reports this morning that "senior executives from the world's biggest advertiser, biggest retailer and biggest media-buying agency turned up at the In Store Marketing Expo in Chicago last week to tout a new way of measuring shopper marketing by the world's biggest research firm, Nielsen Co.

"It was just one more milestone for shopper marketing, which is growing faster than internet advertising -- doubling since 2004 and on pace for a compound annual growth rate of 21% through 2010, according to a draft study by Deloitte from the Grocery Manufacturers Association."

Recent figures, according to the story, suggest that Procter & Gamble may be spending upwards of \$500 million annually on in-store or shopper marketing – and that, in fact, P&G may be behind the wave a bit in this area.

Key to all this discussion is Nielsen's Prism initiative, which essentially is a methodology to rate in-store advertising with the same precision as other ad vehicles are measured – TV ratings for in-store marketing efforts.

Two interesting paragraphs from the story:

- "P&G Chief Operating Officer Robert McDonald politely declined to predict whether better measurement would lead P&G to shift more media money in store. But he noted another recent Deloitte study, this one showing that nine of 10 trade promos don't have a positive return on investment." McDonald did say that he thought Prism would allow P&G to make better choices.
- "...The same marketers planning to spend more on shopper marketing are planning to spend around 2% less annually on trade promotion, the Deloitte/GMA study found. In the end, Prism could

help manufacturers pry more money out of the black hole of trade promotion and put it into some form of measurable, brand-building media."

## FastNewsBeat

- *USA Today* reports that New Jersey's Topps Meat Company "has expanded a recall of frozen hamburgers to 21.7 million pounds of patties because they may be contaminated with a deadly type of E. coli, making it the second-largest ground beef recall in U.S. history."

According to the story, "The boxed, frozen hamburgers were distributed to retail grocery stores and food service institutions throughout the USA. The company believes most have already been eaten, it said on its website, but emphasized that it is 'imperative that consumers look for these products in their freezers,' and if they find them, dispose of them immediately."

And, *USA Today* suggests this morning that the additional recall "is bound to fuel concern that E. coli outbreaks may be on the rise in the USA's meat industry for the first time this decade."

- The *Washington Post* this morning reports that "a consensus is building among government and food industry officials that the fix for the country's import safety system is likely to require better-targeted inspections, though not necessarily more of them," though "the idea that inspections need not be increased has been challenged by consumer advocates and those in Congress who have proposed a series of reforms to the food safety system, including importer fees and consolidated oversight under a single agency."

## The MNB Wal-Mart Watch

- The *Wall Street Journal* this morning reports that Sam's Club, in keeping with the environmental activism of its Wal-Mart parent company, is offering as one of its high-end holiday gifts a 2007 lithium-powered hybrid Smart Car for \$35,000.

"We have added the sustainability piece as one of our priorities," Scott Williams, a Sam's Club vice president of e-commerce, tells the *Journal*. "It's not our only criteria, but we felt like Sam's Club has been able to show some leadership in this area. So that's why the electric car came in."

The retailer also is offering trips to the Beijing 2008 Olympics and NASCAR dream packages in its holiday catalog of gifts.

- *Bloomberg* reports that Wal-Mart considered spinning off its Sam's Club membership warehouse division last year, but decided against it because remaining a part of the mother company would give it "access to its vendor relationships, logistics and customer information."

Sam's Club CEO Douglas McMillon said the possibility of a spin-off was never discussed with investors, even though the general perception is that such a move would be good for Wal-Mart's share price.

"After looking at it for a while, we decided that the best place for Sam's Club is to be part of Wal-Mart," McMillon said, though he offered one caveat: "I can't tell you that it would never happen."

- Wal-Mart announced yesterday that it has passed its goal of selling more than 100 million compact fluorescent light bulbs (CFLs) – three months earlier than planned. Originally, the goal was to sell 100 million of the energy-efficient bulbs by the end of the year.

Wal-Mart had previously announced that CFLs account for 15 percent of light-bulb sales at Wal-Mart, up from five percent nine months ago."

"Selling 100 million CFLs in such a short timeframe is a significant achievement on behalf of our customers," said Andy Barron, Wal-Mart senior vice president of hardlines merchandising. "In reaching this goal, we are grateful that our customers and members have seen the economic and environmental benefits of CFLs. With their support, we can continue to have a positive impact on the environment with energy-saving bulbs and other affordable, eco-friendly products at Wal-Mart and Sam's Club."

The announcement also suggests that Wal-Mart knew what it was doing a couple of weeks ago, when it announced that it plans to unveil a private label line of the bulbs, having them in three quarters of its US stores within a few weeks.

## **The Balance Sheet**

- Tesco PLC announced this morning that its first-half net profit was the equivalent of \$1.91 billion (US), up 19 percent from a year ago, while revenue from continuing operations was up 9.1 percent to \$46.1 billion.
- Walgreen Co. said that its fourth quarter revenue was up 10 percent to \$13.4 billion, while its quarterly profit was down almost four percent to \$396.5 million.

## **Executive Suite**

- Kent Moore, the CFO at Bruno's Supermarkets, has been named the company's new CEO. He succeeds David West, who is becoming the company's chairman.
- It was announced yesterday that Penn Traffic president/CEO Robert R. Panasuk has resigned for "personal reasons."

He will be succeeded by Gregory J. Young, who has been the company's executive vice president/COO.