Retail Industry News from IRI

-Week Ending 10/9/09-

Below is the list of articles you will find for the week ending 10/9/09 edition of Retail Industry News.

Thanks to MNB for this selection of articles.

Delhaize Moves To Buy Bankrupt Bi-Lo For $425 Million

Belgium-based Delhaize Group announced yesterday that it has signed a non-binding letter of intent to acquire "a substantial majority" of the assets owned by bankrupt Bi-Lo LLC, for $425 million.

However, Bi-Lo's assets remain up for bid, and another company could move in and top Delhaize's offer. Bi-Lo is currently owned by Lone Star Funds, a private equity group; it filed for bankruptcy last March.

If the deal closes, it will give Delhaize and its Food Lion division the 214 stores in North Carolina, South Carolina, Tennessee and Georgia and approximately $2 billion in annual sales that Bi-Lo represents. At present, Food Lion has more than 1,300 stores in 11 U.S. states and has more than 74,000 associates.

Rick Anicetti, executive vice president of Delhaize Group and president/CEO of Food Lion, said in a prepared statement: "We at Food Lion, LLC have great admiration for the associates and stores at BI-LO. We believe our markets and service philosophy are complementary and we look forward to continuing our discussions with BI-LO."

According to the announcement, "The non-binding offer is subject to the satisfactory completion of the customary steps for such an acquisition including certain Bankruptcy Court approvals. Delhaize Group and BI-LO intend to close the transaction shortly after obtaining the entry of a final non-appealable sale order of the bankruptcy court pursuant to Section 363 of the U.S. Bankruptcy Code, authorizing the transfer of the purchased assets to Food Lion. It is the intent of Delhaize Group to integrate the included BI-LO assets in the network of its wholly owned subsidiary Food Lion."

Sansolo Speaks: "Young At Start"

by Michael Sansolo

A CEO friend once summarized his biggest internal challenge simply. His company had become a massive game of telephone, where messages are passed person to person until the entire meaning is twisted or lost.

In his case, the great challenge was figuring out how to race from the executive suite all the way to the front lines to hear what message ended up getting through. It was a task he could rarely perform.

(To see the only successful story of anyone doing just that, watch the movie *Johnny Dangerously*. When a prison gang mangles a vital message, Johnny can correctly decode it because, as he said, "I know this grapevine.")

However, if you think it's tough getting a message through from top to bottom, consider the opposite; a message working its way up. In short, it's something that's bound to fail even though the front line might have stunningly important information that goes nowhere.

I got two blasts of front line vision last week from two very different sources. In both cases, the lesson is worth sharing.

The first came from my daughter, Sarah, who's currently working sales at an upscale women's clothing chain. Although Sarah's store attracts a well-off clientele in a fairly affluent area, she's noticed a problem. The store urges its staff to market the company's credit card to shoppers. Yet even in an affluent area, the financial/credit crunch makes that one awful idea.

As Sarah has found, women still want to make some clothing purchases, especially at a store with a reputation for quality and timeless style. But right now the last thing anyone wants is another credit card in his or her purse or on a credit report. Clearly, the company needs a different strategy to build customer loyalty at the moment. Sarah's managers are terrific, but the chain of communication to stop this policy is more than daunting. So the store level vision is dying right there - at store level.

The second story comes from Domonique Debnam, a recent retailing graduate from Portland State University. Domonique believes there's an institutional problem at work. "Retailing has a bottom up mentality. To be successful you have to start at the bottom and work your way up." That's neither shocking nor abhorrent, but Domonique articulates the drawback:

"By the time you get into a position where you can effect change you've been in the colony for 20 plus years and have the normal or traditional way of doing things ingrained in your head. This is how innovation is stifled. I could offer a million ideas for improving process or stores, but by the time I get to where I can actually implement change, they maybe outdated and irrelevant."

It would be easy to tell both Sarah and Domonique to chill out or remind them of all they don't know, except I think they both have a point. In a dynamic and diverse climate like we have today, the people best able to understand the needs and wants of the emerging shopper generation are the people whose voices are heard least. The fact that people like me use Facebook and Twitter doesn't mean I've found the fountain of youth. It means that while I think I've caught up with Sarah, Domonique and their cohorts, they have moved on.

And we'll have trouble finding them unless we have the right guides.

We're always told that youth is wasted on the young. So are freshness and innovation. The front line might have a lot to tell us if only we learn how to listen.

Michael Sansolo can be reached via email at msansolo@morningnewsbeat.com .

Jewel Faces Aldi Threat In Crowded & Tightening Market

Crain's Chicago Business reports on how discount grocer Aldi is "mounting an aggressive expansion in Chicago," posing a threat to Supervalu-owned Jewel.

"By yearend, Aldi is set to have more stores in the city than any other grocer," *Crain's* writes. "When it completes three locations now under construction, it will have 37 stores inside Chicago to Jewel's 35.

"To be sure, Jewel remains the biggest grocer in town from a sales perspective: A typical Jewel store is estimated to bring in roughly $30 million in annual revenue, about six times more than an Aldi. But as the grocery sector gets more crowded and shoppers trim spending, Aldi represents a growing competitive threat to Jewel, long the dominant player in the Chicago market."

Back To The Future: Traditional Brands Getting Advertising Support

The *New York Times* reports that one result of the economic downturn is that CPG brands with long traditions are being given advertising boosts by their corporate masters, who seem to believe that their history of connections with shoppers will allow them to gain market share and sales.

According to the story, "Readers of this week's People magazine could be excused for believing they were leafing through a Look magazine from 1959. Of the 44 full-page ads in the issue, half are for brands like Campbell's, Jell-O, Kraft cheese, Lipton tea and Post cereal.

"Familiar packaged foods that were once dismissed as dowdy or out of date are regaining their puissance as Americans spend less and eat at home more. While marketers in fields like automobiles, financial services and luxury goods are slashing ad budgets … advertising is being maintained, and in some cases increased, for prosaic mealtime products like Heinz ketchup (up 967.1 percent in the first half of this year, according to TNS Media Intelligence), Hellmann's mayonnaise (up 165.6 percent) and Jif peanut butter (up 39.8 percent)."

Among the other brands getting ad pushes, the *Times* writes, are Hormel, Oscar Mayer, Kellogg's, Birds Eye, Bumble Bee, Betty Crocker, Del Monte, Hunt's, Mott's, Spam and Velveeta.

"This new consumer will shop the rest of her life differently," Thom Blischok, president for consulting and innovation at Information Resources Inc. (IRI), tells the *Times*. "Behavior has been modified as a result of this recession."

Target Tries To End Year On Up Note

The *Milwaukee Business Journal* reports that Target Corp. plans to open 25 new stores this Sunday, including five full-grocery SuperTarget locations and 21 general merchandise stores. Another new store is slated to open on November 15.

In addition, Target announced a 50 percent off sale on a range of popular toys, saying that the discounts will remain in place through the end of the year as a way of attracting shoppers for the end-of-year holiday season … not to mention allowing it to be a viable competitor to Walmart.

FastNewsBeat

• In Colorado, the *Daily Camera* reports that Sprouts Farmers Market is opening a new 23,800 square foot store in Boulder – one of 11 stores being opened by the company this year. As the *Camera* reports, there is no dearth of competition: "Boulder -- which birthed natural groceries of Alfalfa's, Wild Oats and Sunflower Farmers Markets -- has four Whole Foods markets, a Natural Grocers By Vitamin Cottage, one Sunflower, the natural-foods-focused Lucky's Market and King Soopers and Safeway stores redesigned to highlight their natural and organic offerings."

But Doug Sanders, Sprouts' president/COO, tells the newspaper that while the competition is tough, he is convinced that the company's approach – healthy foods at value prices – will be enough of a differentiation to succeed in the marketplace.

• The National Retail federation (NRF) said yesterday that it expects 2009 end-of-year holiday sales to decline one percent to $437.6 billion, which it said would not be "as dramatic as last year's 3.4 percent drop in holiday retail sales nor as severe as the 3.0 percent decline in annual retail industry sales expected for all of 2009."

• GS1 US has announced that 55 foodservice manufacturers, distributors and operators have launched the Foodservice GS1 US Standards Initiative, and have funded the "GS1 US Team for Foodservice" to guide execution. According to the announcement, "The Initiative recommends the adoption of a common timeline for voluntary individual company implementation of GS1 Global standards for company identification, item identification and product description; 45 of the Initiative's founding member companies have already voluntarily committed to this common timeline … The Initiative is striving for 75 percent adoption of GS1 standards throughout the foodservice industry, measured in terms of revenue, by 2015, and is endorsed by the

International Foodservice Manufacturers Association (IFMA), the International Foodservice Distributors Association (IFDA), the National Restaurant Association, and GS1 Canada Foodservice."

• Is it just 12 weeks until Christmas?

Must be, since Dollar General has launched a "12 Weeks Of Christmas" promotion, looking to make gift-giving affordable in a number of categories.

"We want to help our customers stretch their dollar even further this holiday season," says Rick Dreiling, Dollar General's chairman/CEO. "By offering holiday merchandise and great deals earlier in the season, we hope to make it easier for customers to plan ahead and manage their holiday budget."

• Winn-Dixie Stores said yesterday that it is partnering with Excentus to expand the fuelperks! program in 51 of its stored in Northeast Florida and Southeast Georgia. The program allows its shoppers to earn discounts at area gas stations for every $50 they spend using the Winn-Dixie Customer Reward Card, and is similar to programs being offered at Bi-Lo, Giant Eagle, Roundy's and Ukrop's.

• The *Los Angeles Times* this morning reports that Kroger-owned Ralphs Grocery Co. has begun selling salsa manufactured by the Homeboy Industries' Homegirl Cafe & Catering job training program – a gang intervention agency designed to give young gang members in Southern California options that will get them off the streets and out of cycles of violence.

The MNB Wal-Mart Watch

• The *Chicago Sun Times* this morning reports that Chicago's failure to win the 2016 Olympic games means that Alderman Howard Brookins plans to ramp up his campaign to bring a new Walmart store to the city's South Side.

"The Olympics were a side show to my cause and an excuse for many to say, 'We ought to put this off so that we can have peace with the unions,'" Brookins tells the paper. "Now that those union workers aren't gonna be employed building these fabulous buildings all over the city, at least this is some immediate help for those local tradesmen. . . . And it's a tremendous help to stop the leaking that continues to plague our city with people going to the suburbs looking for a bargain."

The building of a new Walmart in the city has long been a controversy; there is only one within the city limits at the present time, largely owing to opposition engineered by Chicago's powerful labor unions.

• Walmart announced yesterday that it has signed a deal to begin marketing the Nutrisystem 14-day starter diet program in more than three thousand of its stores as well as on its website. It reportedly is the first time that the Nutrisystem program has been available at retail.

The program will sell for $148. Once the program is activated at Walmart, home delivery of the foods on the program will begin.

The Balance Sheet

• Village Super Market reports that its fourth quarter profit was down three percent to $6.7 million, from $6.9 million during the same period a year ago, because of a $708,000 litigation charge. Q4 sales were up four percent to $310.9 million, on same-store sales that were up 4.3 percent.

For the fiscal year just completed, earnings were up 21 percent to $27.3 million, and sales were up eight percent to $1.21 billion.

• Tesco PLC said yesterday that its first half net profit was the equivalent of $1.64 billion, up from $1.61 billion during the same period a year ago. First half revenue, excluding the value-added tax, was up 9.3 percent to $44.3 billion. In the UK, where Tesco has been meeting strong competition of late, same-store sales were up 3.1 percent.

• Drugstore chain Walgreen said that its September sales were up 10.3 percent to $5.35 billion, on same-store sales that were

IRI Breakthrough Insights. Breakthrough Results.

up 5.3 percent. The increases were attributed to the chain's program for in-store flu vaccinations, more than 2.4 million of which have been given this year (double 2008).

• BJ's Wholesale Club said that its September sales were up 4.1 percent to $928 million, on same-store sales that were off 0.5 percent.

• PepsiCo said that its Q3 profit was up nine percent to $1.72 billion, from $1.58 billion during the same period a year ago. Sales slipped 1 percent to $11.08 billion.

• Target Corp. said that its September sales were up 1.3 percent to $5.39 billion, while same-store sales were down 1.7 percent.

Executive Suite

• PepsiCo announced that Jaya Kumar has been named president of its Quaker Food & Snacks unit. Kumar has been serving as chief marketing officer at Frito-Lay North America.

• PepsiCo announced yesterday that it has named Eric J. Foss, head of its biggest independent bottler, to be president of its new North American bottling unit, which is being created through the already announced acquisition of the shares it didn't already own of Pepsi Bottling Group Inc. and PepsiAmericas Inc.