

## **- Retail Industry News from IRI for Week Ending 10/12/07-**

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Thanks to MNB  
for this selection of  
articles.

### **Tesco To Open First Fresh & Easy US Stores On November 8**

UK-based Tesco has chosen Thursday, November 8 to be the opening day for its first six Fresh & Easy Neighborhood Market stores. The specific locations have not been revealed, but Tesco said that the new 10,000 square foot stores would be located in Los Angeles, Orange, Riverside and San Bernardino counties.

### **Ahold Sells Tops For \$310 Million**

Ahold said yesterday that it has sold its 71-unit Buffalo-based Tops Markets chain for \$310 million to Morgan Stanley Private Equity. The deal, which has been speculated about since Ahold started a strategic review of its holdings almost a year ago, is expected to close before the end of the year.

Reports say that Morgan Stanley worked closely with former Tops CEO Frank Curci in getting the deal done, and that Curci will both serve on the board and run the transition team.

Ahold sold its U.S. Foodservice division in July for \$7.1 billion, and has combined the operations of its Stop & Shop and Giant divisions in the quest for greater efficiency.

This marks Morgan Stanley's first foray into the grocery business, according to reports.

"Tops is a well-regarded grocer with attractive long-term performance, strong employee relationships and a loyal customer base," said Gary Matthews, Managing Director and Operating Partner, Morgan Stanley Private Equity, in a prepared statement. "We are excited to continue Tops' tradition of outstanding service to customers and to maintain its position as a leading supermarket in the region."

## Smart Carts Get Yet Another Push

The *Wall Street Journal* has a story that says:

“Supermarket shoppers may soon be cruising the aisles with “intelligent” shopping carts that warn them if they are purchasing too much junk food, technology experts say. Some shoppers are already using the advanced shopping carts. Trials of touch-screen computers on them have been conducted in stores in the U.S.

“While many people probably would be happy enough if they could simply get their cart to travel in a straight line, the high-tech model is fitted with a computer screen and bar code scanner.

“It can read each product’s individual code to give customers information about calories, nutrition, ethical sourcing and the environment.”

## CVS Targets Caregivers With New Ad Campaign

The *Wall Street Journal* reports that CVS is launching a new \$25 million advertising campaign using the theme, “For all the ways you care.” The goal of the campaign, according to the story, is to celebrate and honor women’s roles as nurturers and caregivers – which makes sense since the company says that 85 percent of its shoppers are women who control their families’ health care spending. It also helps that CVS’s research showed that many of these female caregivers feel that they are not supported by the retailers with which they do business.

“Our research showed that women find enjoyment and reward in their roles as caregivers, despite sacrifices,” Helena Foulkes, senior vice president of marketing and operation services for CVS/pharmacy, tells the *Journal*. “This campaign is an opportunity to celebrate these women and to show that we understand what it means to care.”

## Home Depot To Open Hardware Store For Women

*MarketWatch*> reports that Home Depot, “responding to long-time criticism that its warehouse environment was simply too rough for many women,” is opening two new test stores this month that are designed to romance the woman shopper who enters the store.

“Big professional construction products like lumber and building materials will make way for bath and kitchen showrooms that are more extravagant and carry more products than those in the traditional Home Depot.

“There’s also a bigger section concentrating on home organization. The new products, for example, will give color to the home’s interior design, as will other home improvement items for products such as doors and windows.”

## ***Sansolo Speaks: Truth & Consequences***

***by Michael Sansolo***

There are few forces on earth more fearful than unintended consequences. We know all about them: something is done for one reason and causes all kinds of impact in its wake.

Unintended consequences aren’t always bad of course. Consider this silly example. A few weeks back, I managed to badly sprain my ankle playing tennis. Although the injury hasn’t fully healed, I had to push it last week when I was invited to play golf at a beautiful course nearby.

You're probably thinking this ends with my suffering a more severe injury, but you couldn't be more wrong. Instead, something miraculous happened. Playing with a painful right ankle, my golf game improved dramatically. Turns out, all I need do to play better golf is twist my ankle.

Many times, these unintended results work very differently. More often, the result is negative.

Take the report last week that beer prices are likely to rise soon thanks to higher prices for hops. And as you bemoan the rising prices of both chicken wings and the beer to wash them down, think about unintended consequences of energy.

What's happening to grain prices these days is simply a matter of economics and energy. The attraction of ethanol as an alternative fuel may or may not help on the nation's energy imports. It's also helped drive up the per bushel price of corn, the key ingredient in ethanol. After that, unintended consequences roll in a series of events like a Rube Goldberg illustration.

That corn price rise drives up the prices for foods that heavily use corn, including all the animals that feed on corn. In addition, it gives farmers pause about exactly which crop they should plant. The more lucrative price for corn suddenly creates a ripple effect as acres used for wheat or hops get switched to corn. (In 2006, Canada reported a stunning drop in its wheat yield due largely to all the acreage switched to corn.) Suddenly bread and beer cost more too.

Get used to reports like this. I spent time last week with a group representing the nation's chicken industry and no issue looms larger for them than ethanol. The growing demand (and government incentives) for ethanol has these farmers worried where they will get the feed they need for chickens. Government officials assured them that such fears are unmerited in 2007, as the corn yield is larger than ever. Yet the farmers wisely pointed out that the weather doesn't always guarantee a record crop.

It's always amazing how many issues concern us. Wherever you are in the industry, you have to stay constantly concerned about changing shopper tastes, competition, food safety, employees and so much more. Energy is an issue too, but usually the discussions surround how to conserve to reduce resources and expenses.

Yet, every now and then an unintended consequence comes barreling our way. And suddenly, a rise in the price of beer means a whole lot than just a rise in the price of beer.

## FastNewsBeat

- The *Albany Times Union* reports that Price Chopper is testing a new delivery service, offering customers to ability to order pizza, chicken wings, fried chicken, submarine sandwiches and other prepared foods.

## The MNB Wal-Mart Watch

- The *Chicago Tribune* reports that Wal-Mart will begin offering reusable cloth shopping bags this weekend, selling them for \$1 apiece and saying that this is just the latest reflection of the company's long-term commitment to the environment and sustainability.
- Wal-Mart CEO Lee Scott said this week that despite some calls for economic protectionism – especially those being sounded during the presidential primary debates – his company would continue to source products from places like China because they offer the lowest prices, and that is the model on which the company is built.

"If we put products out there and we have to sell them for more because our competitors are sourcing more efficiently and more effectively for the same quality of product, our model doesn't work. We cannot be at a price disadvantage," Scott said at an Arkansas retailing conference. "Lest anybody forget, 20 percent of Wal-Mart's customers don't have a checking account and they do not have the economic luxury of making a broader social statement."

- There are reports that Wal-Mart may be considering a move into Malaysia, where it would compete with global retailing names such as Tesco and Carrefour. Germany's Metro also reportedly is considering opening a Malaysian outpost.
- Interesting interview this morning in the *San Francisco Chronicle* with Tom and Kate Chappell, founders of Tom's of Maine, the "green" product manufacturers that is majority owned by Colgate-Palmolive. In it, they talk about selling products in Wal-Mart, and assess the company's environmental commitment:

"Before this took place, I asked our people to do a social audit on Wal-Mart, and it was very interesting what came up," says Tom Chapell. "The more we learned about Wal-Mart, the more we found we had in common with them. For instance, we are both founder-driven or founder-inspired. Which means that when they think about something, they do it. They execute with incredible capacity and ability.

"Then we found them to be very much turning the tide on sustainability. There had been a complete change in their thinking. They had figured out the planet was not big enough to provide what they needed as a brand discounter. What they needed was to be part of the solution in order to have sustainability as a growth company - part of the solution with organic farming, organic growing, sustainable living, sustainable packaging. And they demand it of all their suppliers today.

"On the issues that would normally rub us about health insurance and so forth, they are going to have to join the human race eventually. They'll just have to."

And Kate Chappell adds, "We can become a model to companies like them on how to do it."

## The Balance Sheet

- Costco reported this week that for the first time, it has exceeded \$1 billion in sales on its e-commerce site alone, generated \$1.22 billion worth of revenue online. This figure was up 39 percent from the \$880 million done by Costco's site during the last fiscal year – way outpacing the company's total revenue growth of seven percent.
- Safeway reports that its third quarter net income was \$194.6 million, compared with \$173.5 billion during the same period a year ago. Q3 sales were \$9.78 billion, up from \$9.42 billion in last year's same period. Same-store sales were up three percent for the quarter.
- Target Corp. reports that its September sales rose 6.2 percent to \$5.19 billion from \$4.885 billion for the comparable period a year earlier. Same-store sales for the month were up 1.2 percent.

## Executive Suite

- Hormel Foods announced that Donald Kremnin has been promoted from being director of the company's Wal-Mart business team to being vice president of Wal-Mart sales.