



-Week Ending 10/17/08-

Below is the list of articles you will find for the week ending 10/17/08 edition of Retail Industry News.

- ▶ Giant Eagle Expands Fuel Discount Initiative
- ▶ Bruno's Closes More Than Half Its Pharmacies
- ▶ Sansolo Speaks: Sunrise Time
- ▶ How To Survive The Economic Downturn, Part One
- ▶ How To Survive The Economic Downturn, Part Two
- ▶ E-economy Beat
- ▶ Walmart Looks To Expand Private Label Presence
- ▶ Food Lion Launches New Budget Dinner Program
- ▶ FastNewsBeat
- ▶ The MNB Wal-Mart Watch
- ▶ The Balance Sheet
- ▶ Executive Suite



Thanks to MNB
for this selection of
articles.

Giant Eagle Expands Fuel Discount Initiative

Business First of Columbus reports that Giant Eagle, which has been operating a gas discount program for its shoppers, has expanded the program by "linking up with hundreds of retailers online ... customers can shop at more than 600 retailers and get discounts on gas purchases at Giant Eagle's GetGo convenience stores. The participating retailers include Best Buy, Macy's, Apple, Home Depot, PetSmart, Bloomingdale's, Saks Fifth Avenue, Office Depot and Lands' End. Customers begin shopping at Giant Eagle's Web site but then are taken to the retailers' sites to complete sales."

The paper notes that "Giant Eagle already sells retailers' gift cards at its stores that qualify for gas discounts. For gift cards or online purchases, customers get 10 cents off per gallon for every \$50 they spend."

Bruno's Closes More Than Half Its Pharmacies

The *Tuscaloosa News* reports that Bruno's and Food World will close 22 of the 40 in-store pharmacies that it operates in Alabama and on the Florida Panhandle.

According to the story, "A spokesperson for Bruno's says they're closing the pharmacies due to their consistently low performance over the past several years, and the lack of prospects for turning them around."

Sansolo Speaks: Sunrise Time

by Michael Sansolo

If you are anything like me, you spent most of the last week consumed by a single news story. Of course, I mean the incredibly close pass the Cassini spacecraft is making by the moons of Saturn. What could be more compelling?

Wait. Maybe I got that wrong. Perhaps you missed the space news because you were reading about OJ's trial,





Britney Spears' comeback or the baseball playoffs.

Whatever it was, the bottom line is that despite the gargantuan nature of the economic news unfolding around us daily, life goes on, the sun rises and sets and other issues still require our attention. Issues like dealing with the environment, addressing health and wellness and the looming tidal wave of challenge in America's (and your company's) workforce.

That last issue may seem a strange one to be on the list, especially in light of the current economic news. With unemployment up and 401ks down (in the toilet, that is), suddenly it's hard to believe that finding good labor will ever be a problem again. But it will be and sooner than you can imagine.

Economic cycles come and go without much warning, while demographic issues are much more predictable. There is no changing the simple facts that the Baby Boom generation is aging and the workforce challenge that aging cohort creates could be beyond anything we've had before.

The demographic numbers are simple. The 77 million of us boomers swelled the population like no group before. And even though Generation Y—today's teens and young adults—are slightly larger in total number, their impact on the workforce remains far lower than that of the Boomers. And therein lies the problem. Boomer retirements can create an unthinkable level of pain.

There is an easy test you can do within your company. Look at your management team and consider how many Boomers there are in top and middle management positions. The odds are most everyone will be above the age of 45 simply because there are just so many Boomers. Then ask yourself: what happens when they all go? How are you going to replace that enormous layer of leadership and institutional knowledge?

It's a problem that goes far beyond your company or even this industry. Already, the military is talking about the looming retirement of boomer officers; airlines talk the same about their corps of pilots. And while today's economic crisis might get this massive generation to think seriously about delayed retirement, the delay won't last forever.

(Because we live transparency here at MorningNewsBeat, it's important to make clear my conflict of interest on this subject. I remain a consultant for FMI on the new Future Connect conference planned for May 2009 and aimed at the very issue of developing the next generation of leadership. You can get details about the meeting at www.fmi.org)

The simple truth of this demographic tidal wave is that if companies don't start building skills in the next generation the tidal wave will bury us. As it is, the supermarket industry doesn't have the greatest reputation as an employer, so the task is doubly hard.

Then again, opportunity may exist in all these dark clouds. Tough economic times and consumers facing the need to cut back on spending tend to focus everyone on the basic needs of families. You can put off buying the next iPod or Wii (perish the thought), but you can't put off buying food.

That also means that the emerging generation might go looking for jobs in industries with some stability. The challenge the supermarket industry faces is whether we can change our ways to match the needs of this new generation so that we attract rather than repulse the good new talent.

Better start soon!



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

How To Survive The Economic Downturn, Part One

Interesting piece in *BrandWeek* about how, while the current economic downturn is bad for a lot of people and companies, some are prospering – like those brands that provide people with things that they eat, drink, smoke or wash yourself with. At least, that's the opinion expressed by Marc Babej, partner at the New York-based strategy firm called Reason.

Gary Stibel, CEO of New England Consulting Group, suggests that it is private label that is "positioned to move and grow ... Kroger and CVS are two examples of brands that are doing a great job of promoting their own labels."

And, "production of snack foods, tortillas and confectionary products are expected to grow next year, per industry research firm IBISWorld, Los Angeles," *BrandWeek* writes, continuing, "Then there's beer. It seems only logical that watching the Dow plummet into the abyss would drive some to drink. The U.S. beer industry is expected to post its second consecutive year of case sales gains, per the Beverage Information Group's 2008 Beer Handbook. Wine and spirits are also expected to continue to grow though consumers may be less likely to trade up as had been the trend."

How To Survive The Economic Downturn, Part Two

The *Wall Street Journal* suggests in a column that Internet shopping may play an even bigger role in consumers' lives this holiday season than in the past, as they use their computers to search for better deals on a wide variety of items – hoping that despite the economic downturn, they can get more for their money during the end-of-year shopping rush.

Suggestions made by the *Journal*:

- Take advantage of the moment *right now* to polish your website – looking for things that will increase its "stickiness" and build sales. In some cases it might be improved graphics and expanded selection; in other cases it will be a free shipping offer. But now is the time to start figuring that out – and to determine how you are going to track how site visitors are going to respond to the changes.
- Figure out how to better use search engines such as Google and Yahoo to direct people to your site.
- Work email. Hard. The *Journal* writes, "Lots of companies send out regular messages to customers who sign up for email lists, giving them special offers and letting them know about new products or providing other information. It's important for businesses to keep up that contact during the holidays." Or, you can ask your customers for suggestions about items or services they'd like to see in the store, creating a greater feeling of community and transparency.
- Develop strategies that will allow you to tap into social networking sites, described as "the hottest trend on the Web ... services that allow people to connect with friends, family and colleagues, as well as interact with people around common interests. Social sites could prove crucial to marketers around holiday time, since shoppers often turn to people they know for help with making gift decisions."



E-economy Beat

- Supervalu announced yesterday that its Albertsons chain of supermarkets is reintroducing an “online shopping program to help shoppers save both money and time -- essential commodities in today's economic environment and time-starved society. By going to ‘<http://www.albertsons.com>,’ shoppers have the opportunity to create a grocery shopping experience that focuses on three simple things: quality, value and convenience ... The program, originally launched in 1999, allows shoppers to select groceries, health and beauty care products, flowers, party supplies and food-related gift items online at <http://www.albertsons.com> and then have them delivered to either the front door or ready for pick up at a designated store. Albertsons is committed to providing the highest quality and freshest items to its online shoppers, knowing that these will be key to retaining customers.”

Walmart Looks To Expand Private Label Presence

Advertising Age reports that “after de-emphasizing private label for more than a year, Wal-Mart Stores is looking to ramp up its program by adding package-goods marketing talent, and the move could present a substantial new challenge to marketers who rely on the world's biggest retailer as the economy worsens ... But it's not clear a new push by Wal-Mart into premium private label can succeed. Some package-goods marketers noted that having good prices on national brands is key to the retailer's core value proposition, as price comparisons among individual retailer private brands carry little or no weight.”

The story notes that Walmart is looking for a senior executive to oversee its private label brand strategy, and is ramping up the hiring for its private label division.

Food Lion Launches New Budget Dinner Program

Delhaize-owned Food Lion announced over the weekend that it has a new marketing program called “Dinner For Under \$10,” which on a weekly basis will pull together in one place all the ingredients for a single meal – all that sell for under ten bucks.

“We are focused on finding ways to help our customers save money in these tough economic times,” said Gene Faller, Food Lion's vice president of Dry Category. “Our goal is to provide our customers with low-cost, quick and easy meal solutions.”



FastNewsBeat

- Target has opened 45 new stores this week, according to the *Minneapolis/St. Paul Business Journal*, including “two new prototype stores in Minnesota and the company’s first two stores in Alaska. One of the new Minnesota stores is a new Super Target prototype that includes a full-service supermarket, and is described as being close to the size and configuration of a Walmart Supercenter.

One of the Alaska stores is in Wasilla, the Alaska town where GOP vice presidential candidate and Alaska Gov. Sarah Palin got her political start.

The *Journal* notes that “following this round of store openings, Minneapolis-based Target will have 1,685 stores in 48 states. The only states that don’t yet have Target stores are Hawaii and Vermont, although the first Hawaii location is scheduled to open next spring.”

The MNB Wal-Mart Watch

- Walmart announced yesterday that it will begin offering a special limited membership to its Sam’s Club stores - \$10 for 10 weeks, which it believes will be enough to demonstrate value and get shoppers to sign up for long-term memberships (the lowest of which costs \$40 for a full year...actually a little cheaper than the special when looked at on a per-week basis).

- In an interview with *Fortune*, Sam’s Club CEO Doug McMillon addressed, among other things, the tough economy and the impact he thinks it will have on Sam’s. Some excerpts:

On the economy... “We don’t think next year is going to look a lot better than this year. I wish you could tell me what gasoline is going to be. As we think about next year, our focus is going to be very similar to this year - manage your expenses, be thoughtful about how you spend capital, and within those discretionary categories, take some risk but have conviction about where you take risk.”

On Sam’s competitive advantage... “Look at retailers that have been having a difficult time - the consumer shifted money toward basics, and if you’re dependent on specialty apparel or some specialty hard line, I’m sure your trip count was impacted. At Wal-Mart and Sam’s we have basic necessities, and that value position creates traffic. So in an environment like this, we have a bit of a hedge, and many retailers don’t.”

On the company’s sustainability initiatives... “It’s been an interesting journey. I remember the first conversation that Lee had with a group of us, and I didn’t really understand what he was talking about. “Sustainability” was defined in a financial sense for me. As he started to broaden the conversation into the environment and then social issues, it sounded like potentially a big distraction. But in fact it fits within our overall mission - to save people money so that they can live better.

“We underestimated how much financial benefit we could get from it. We found items that if you simply reduce the amount of packaging involved, save cost, and pass that on to the customer, you sell more. You’re just eliminating waste. We thought we were efficient before, but we really weren’t. It was as if somebody handed us a different pair of glasses, and the whole world looked different.”



The Balance Sheet

- Spartan Stores reported that its second quarter net income was up 22 percent to \$11.1 million, from \$9.1 million during the same period a year ago. Q2 revenue was up almost five percent to \$626.8 million, from \$598.1 million a year ago.
- The Great Atlantic & Pacific Tea Co. (A&P) reported a second quarter loss of \$17.37 million yesterday, which compares favorably with a loss of \$91.32 million during the year-ago period. Q2 sales rose to \$2.18 billion, from \$1.27 billion a year ago, with same store sales up 2.8 percent. The same-store sales figures exclude those of Pathmark, which A&P acquired during the past year, and which rose 2.9 percent during the quarter.
- Supervalu Inc. this morning released its second quarter results, reporting net sales of \$10.2 billion compared to \$10.2 billion last year, and net earnings of \$128 million compared to \$148 million last year. Second quarter retail food net sales were \$8.0 billion, even compared to a year ago, with same-store sales down 1.3 percent.

Executive Suite

- Price Chopper Supermarkets/Golub Corporation announced today that Mike Davidson has been appointed to the position of Regional Vice President, Operations reporting directly to David Golub, Vice President, Operations. Davidson comes to Price Chopper from Marsh Supermarkets where he held the position of Vice President, Operations. He was also Vice President of Operations and Merchandising for Topps Markets, LLC.

Price Chopper also announced that Irfan Badibanga has been named to the new position of Zone Director, reporting directly to Al Provancher, Regional Vice President, Operations. Badibanga comes to Price Chopper from HEB where he was Director of Store Operations. Previous to that, he was a District Manager for Winn Dixie.

- Kroger has promoted Steve Young, vice president of process change at the grocery chain's corporate headquarters in Cincinnati, to be its new vice president of operations in its Central Division.
- Tops Friendly Markets announced the hiring of Mike Lumadue to be the company's director of health and beauty care and general merchandise. Lumadue was most recently the director of health and beauty care and general merchandise at Weis Markets.
- Jeffrey Rein reportedly has retired as chairman/CEO of Walgreen Co., to be succeeded by Alan McNally, a member of the board of directors, while a search for a permanent replacement is conducted.

No reason was given for Rein's departure, but speculation was that the board was displeased with current operating results and wanted to shake things up.