

- Retail Industry News from IRI for Week Ending 10/19/07-

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Thanks to MNB
for this selection of
articles.

Smaller Stores Seen As Desirable By Consumers, Retailers

The *Dayton Daily News* uses current store building trends in Ohio to suggest that even as supercenters and other big box formats continue to capture consumers' imaginations, smaller stores are beginning to be seen by some shoppers – and retailers – as a necessary and even desirable option.

Part of the issue seems to be that aging baby boomers may not want to spend the time on their feet that a supercenter demands. And part of it seems to be that a smaller shopping experience can also be a more convenient, targeted and attractive alternative. (There's also the community resistance to big box stores that seems to crop up with increasing regularity.)

"In the Pittsburgh area," the *Daily News* writes, "Giant Eagle recently opened one of its trendy new Express stores — a mere 14,000 square feet, but packed with fresh produce, a deli, a drive-thru pharmacy, a free Wi-Fi cafe, a DVD rental machine, a prepared foods area with heat-and-serve meals and a bakery that can do birthday cakes. Of Kroger's total 2,468 supermarkets as of 2006, most (88 percent) were mid-sized combination food and drug stores, followed by discount warehouse stores (6 percent), multi-department stores (5 percent) and the newer giant Marketplace locations (1 percent)."

Limited Assortment Stores Gaining Traction In Pennsylvania

The *Patriot-News* reports that the Harrisburg, Pennsylvania, market is starting to see increased activity from limited assortment stores with companies such as Aldi, Sharp Shopper and Price Rite adding stores and not just in low income areas.

According to the story, "Jeff Baehr, vice president of Aldi's regional division in Frederick, Md., said the company locates stores where at least 35,000 people live within a three mile radius. The company doesn't seek out areas with low-income residents, he said."

"We don't target anybody in particular," Baehr tells the paper. "In today's economy more and more people are becoming concerned about the dollars they are spending on groceries, so we are gaining more customers who are concerned about the value."

The *Patriot-News* also writes that "the market share of limited-assortment stores nationwide is 2 percent. But sales at limited-assortment stores increased 8.3 percent in 2006, and their market share is projected to grow to 2.5 percent by 2011, according to Willard Bishop, a consulting firm in Illinois.

"While small compared with the industry overall, Willard Bishop projects sales growth at limited-assortment stores between now and 2011 will be second in the industry only to the 170,000-square-foot-plus supercenters of the Wal-Mart and Target variety."

"Limited-assortment stores are much more socially acceptable to shop than in the past," Jon Hauptman, a partner in Bishop Consulting, tells the paper. "We're not seeing that limited-assortment stores will become the channel of first choice, just that consumers are willing to shop a wider range of stores and formats looking for low prices. Very few will do the majority of their spending at a limited-assortment store, but an increasing percentage are doing some of their spending at a limited-assortment store."

Pathmark Hatches New Loyalty Card Program

New Jersey-based Pathmark reportedly plans to create a new combination payment-loyalty card program that will begin rolling out later this year. Developed in concert with HSBC banking group, the card will link to shoppers' existing bank accounts for one-swipe payment purposes, as well as generating loyalty-based rewards,

The announcement comes just weeks before Pathmark is expected to be acquired by the Great Atlantic & Pacific Tea Co. (A&P).

Costco Testing Solar Technology

Costco announced that it is converting its store in San Luis Obispo, California, to solar energy, and is using that store – as well as a number of others – to test "green" technology that it hopes will be good for both the environment and its bottom line.

The retailer said that by the end of the year it hopes to have as many as eight stores in California and Hawaii converted to solar technology, and three more units are planned to be converted early next year.

Supervalu Migrates To A More Centralized Business Model

Supervalu CEO Jeff Noddle told analysts this week that the company is "just starting to really leverage the scale, we're just starting to leverage common promotions across the enterprise," as Supervalu integrates the assets that have made it the nation's third largest food retailer.

The *Pioneer Press* reports that while Supervalu traditionally has worked to stress local retail brands rather than create a national presence, its purchase last year of much of Albertsons has allowed it to adjust its strategy. Now, they have begun "to stress the parts of its business that are now becoming more centralized. That's a long list, including buying decisions, promotional activities and product distribution.

"Down the road, shoppers could see changes, too. It might someday mean customer loyalty cards - popular at Albertson's, but not used at Cub Foods - as well as lots of product debuts exclusively at Supervalu-owned stores."

According to the story, "Duncan Mac Naughton, an executive vice president, told analysts to expect a greater push on store brands," which currently account for just 15 percent of sales. And, he added, "'Our migration to a more centralized model, which leverages our scale and buying power, is essential to our future success.'"

Tiger Woods Signs Licensing Deal For New Line Of Gatorade Drinks

Superstar golfer Tiger Woods has signed a deal with Gatorade that will lead to a new line of "Gatorade Tiger" drinks – in three flavors, to begin with – that should hit store shelves in March 2008. Terms of the deal were not disclosed, but there have been reports that the agreement is for five years and as much as \$100 million.

"Gatorade has been part of my game plan for years, whether I'm training or competing, so this is an ideal match," Woods said in a statement. "I'm eager to launch my first signature product in a few months and look forward to developing additional sports performance beverages with Gatorade in the coming years."

The licensing part of the deal, which has Woods lending his name and image to a new line of products, reportedly is a first for PepsiCo-owned Gatorade.

Sansolo Speaks: The Good Manager

by Michael Sansolo

Any time you doubt the power of popular culture, quickly take a test proposed by humorist Dave Barry. He says if you start singing the theme song to the "Beverly Hillbillies" to any Baby Boomer, they will complete it almost perfectly. You can try this yourself. Ask any random American to tell you the names of Snow White's seven dwarfs. Then ask them the names of the nine members of the US Supreme Court. Compare the percentage they get right, even if you first have to Google the names of the justices.

Pop culture is so much fun and comes laden with examples we can use all the time. Movies, television shows, even the foibles of young singers provide us with all types of powerful moralistic examples. Occasionally, it's even a good thing to do.

For the past few weeks, you probably have noticed a pattern in MorningNewsBeat, as both Kevin and I publicly wailed for our New York Mets. (Forgetting, of course, the suffering of Chicago Cubs fans who last cheered on a World Series winner when Teddy Roosevelt was still in the White House.) Sports like baseball are handy for examination because the simple facts of wins and losses are so much easier to understand than the nuance of business success. Sometimes it even works for nuance.

The example of New York Yankees manager Joe Torre is just such a case. Torre, if you don't follow baseball, is the resident genius of the Yankees, guiding them into the playoffs for 12 consecutive years and leading them to four world titles. Others have a different opinion, finding him merely the caretaker of the most expensive collection of players in baseball.

Again, there is more to the story. Joe Torre once managed my beloved Mets (before moving to the hated Yankees.) While there, his skills were something less impressive. The team was lousy and his managing style fit them perfectly. In fact, for most of Torre's career as a manager, his record was poor. That is until he went to the Yankees where suddenly he became a genius.

Bill George, the author of *True North*, says most of us are mistaken when we say people are born managers. George's book argues that everyone has the potential to be a good manager. But it takes time, training and guidance.

Joe Torre may prove the point. Sure, he had a team of all stars and the largest payroll any where in his sport, but baseball proves time and again that money guarantees nothing. Witness again my Mets who know how to spend, but have been to one World Series since 1987. (Cubs, Dodgers and Texas Rangers fans can attest to the limited power of spending too.)

Torre figured out how to manage this collection of all stars to make them winners. He figured out how to cope with an owner who handed out the checks and grief in equal doses. What's more, he clearly learned something from the mistakes he made with his earlier teams. Maybe he wasn't born a great manager, but he certainly became one.

It's an easy parallel to your store, your company, your staff and even to yourself. Just maybe there is a chance that we can all grow into the manager and leader we would like to be. You don't have build a field of dreams to make it happen either.

Vending Futures

The *Chicago Sun-Times* reports on last week's National Automatic Merchandising Association Expo, and points to a number of innovations that were on display:

- A South Beach Diet vending machine from Kraft that is "stocked with only those Kraft foods that are compliant with the diet program, including Planters nuts, Breakstone's low-fat cottage cheese, Crystal Light drinks, Jell-O sugar-free gelatin snacks, Nabisco Wheat Thins and the new South Beach Diet lunch wraps." Other themed vending machine concepts – such as around healthy kids snacks – also seem to be becoming more popular.
- Vending machines that dispense both chilled and frozen items, such as garden salads and ice cream sandwiches.
- Machines that accept both credit and debit cards for payment also seem to be on the rise, according to the story.

FastNewsBeat

- HEB reportedly will open a new format store in Cypress, Texas, next week, featuring expanded meat and produce departments as well as take-out and catering services. The company describes the new store as being years in the planning, and combines elements of both HEB's traditional stores and its Central Market format.
- Rite Aid announced yesterday that it plans to open Lindora Health Clinics – which offer supervised both weight management and traditional in-store health care clinic services – inside five more of its Southern California stores, raising the number of Lindora clinics that Rite Aid has in the region to nine.
- The *Boston Business Journal* reports that Ahold-owned Stop & Shop is switching from low-oxygen modified atmosphere packaging used for meat to high-oxygen packaging, which it says "is FDA and USDA approved, is leak-proof, and easier for customers to identify ground beef freshness."
- Safeway CEO Steve Burd told investors last week during a conference call that his priority in growing the company was to find low-capital investment opportunities such as the Blackhawk gift card business. "Part of our effort to find new growth engines is to look for things that don't have the capital intensity of the supermarket business," he said. "It's a much better balancing act. Why go into multiple capital intensive businesses?" Bud said that these efforts could be in the form of acquisitions, if the appropriate opportunities can be identified.

The MNB Wal-Mart Watch

- For Wal-Mart, it is always low prices...but sometimes, even lower.

The retailer said yesterday that it will reduce the prices on more than 15,000 items this week as a prelude to the upcoming end-of-year holiday season. The cuts are said to be 20 percent more than last year's reductions, and include products in food, toys, and apparel.

- Wal-Mart released a report yesterday saying that an independent study revealed that "Wal-Mart saved the average family \$652 over the busy October through December shopping months ... in 2006, Wal-Mart saved families \$287 billion, or \$2,500 on average per household. Some families saved even more, depending on where they live."

The Balance Sheet

- Spartan Stores announced that its consolidated net sales for the 12-week second quarter reached a six-year high, increasing 13.5 percent to \$627.1 million from \$552.6 million in last year's second quarter, with same-store sales up 2.8 percent. The net sales improvement was attributed to the acquisition of Felpausch Food Centers' stores, as well as new distribution business. Second-quarter operating earnings increased for the seventh consecutive quarter, improving 11.9 percent to \$20.1 million from \$17.9 million in the same period last year.
- The Great Atlantic & Pacific Tea Company (A&P) reported a Q2 loss of \$91.3 million, far worse than the \$511,000 loss reported during the same period a year ago. Sales for the quarter rose four percent to \$1.27 billion.
- France-based Carrefour said that its total third quarter sales increased 5.8 percent to the equivalent of \$32.8 billion (US). However, much of that increase was fueled by the company's operations outside of France; at home, its sales were down two percent.

Executive Suite

- Bi-Lo Supermarkets announced that Anthea Jones, the company's vice president of non-foods and pharmacy, has been promoted to the position of group vice president, center store.