

## - Retail Industry News from IRI for Week Ending 10/26/07-

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Thanks to MNB  
for this selection of  
articles.

### Giant Food Plans Major Overhaul, Seeking To Reconnect With Shoppers

The *Baltimore Sun* reports that Ahold-owned Giant Food plans to "overhaul a majority of its stores in the most aggressive strategy yet to fend off the growing competition that has caused the company to lose some of its footing as the region's largest grocery chain. The grocer said it would remodel or replace 100 stores during the next three years. It's the largest investment made in the 185-store supermarket chain since Dutch food company Royal Ahold bought it for \$2.7 billion in 1998."

The strategy comes after a period of time during which the company has been closing underperforming stores, cutting prices and consolidating operational functions with Ahold's Boston-based Stop & Shop division.

### MNB's Tales Of Tesco

- Tesco said yesterday that the fires in Southern California have not disrupted its plans to open its first Fresh & Easy Neighborhood Markets there on November 8. "It 's very much business as usual," a spokesperson told *Dow Jones*, the *Wall Street Journal* reports.

- The *Arizona Republic* reports that Tesco plans to open five Fresh & Easy Neighborhood Markets in the Las Vegas market on November 14, less than a week after opening its first stores in Southern California.

The story also notes that Tesco plans to open its first stores in Phoenix during November, though no date has yet been announced.

### Take Me Out To The Grocery Store

The *Boston Business Journal* reports that Stop & Shop is projecting that during the course of the current World Series, in which the Boston Red Sox are playing the Colorado Rockies, New England fans and Stop & Shop customers are expected "to purchase 40,000 pounds of hot dogs, 30,000 bags of Cracker Jack, 90,000 gallons of ice cream, 280,000 gallons of soda and 250,000 pounds of chicken wings."



And that's just the people who are more worried about Manny Ramirez and David Ortiz than they are about nutrition.

Stop & Shop also reportedly projects that more health-minded shoppers will "munch on an estimated 40,000 pounds of veggie burgers, 20,000 fruit platters and 100,000 pounds of salad."

### **General Mills Starts An Educational Food Fight**

General Mills has created a new website – TheGoodFoodFight.com – that uses an online game to help people find out about the nutritional value of various foods while engaging in a kind of high tech food fight in which the user flings food at a moving target. And, of course, there are characters on screen that fling food back at the user.

The site also offers numerous recipes that can be accessed by users, along with ample nutritional information.

### **Whole Foods Takes Novel Thanksgiving Approach**

Published reports say that Whole Foods is launching a promotional push to sell Thanksgiving turkeys and other traditional Thanksgiving dishes – such as cranberry sauce and stuffing. Which wouldn't be a big deal, except that it is doing so in the UK, where they don't celebrate Thanksgiving.

The retailer reportedly is targeting the London's large American population, which it feels will welcome a little bit of holiday home cooking on a day that is just another day for the locals.

### ***Sansolo Speaks: Unremarkably Remarkable***

*by Michael Sansolo*

Retailers are great people. Who else could go to Paris and spend more time eyeing the produce aisle in local supermarkets than viewing the Mona Lisa. Then again, Da Vinci had to eat too.

But seeing stores is really such a wonderful way to see the world and right now there are many reasons to look to the old world. None are that earth shattering, but all matter. Allow me to offer three, gathered from a recent trip to London and Paris.

First and foremost, consider Tesco. No doubt you have read endless articles about the arrival of Tesco on the American shores and heard all kinds of conjecture about that this may mean. Honestly, this isn't a Paul Revere moment where we have to run through the streets yelling that the British are coming. We know that. The bigger worry is that we won't take this magnificent British company seriously enough.

Walking into Tesco isn't a "WOW!" moment, like you might have upon entering a Wegmans or a new Whole Foods. In fact, Tesco's great weapon may be its ordinary appearance. It's neat and tidy and well thought out, but nothing smacks you in the nose and tells you to worry.

Not worrying would be a mistake. Tesco is very, very good. The company runs stores of many varieties and sizes. They match up with neighborhoods wonderfully well. Most of all, they do it with quiet effectiveness. And that's the problem: Tesco could be underestimated. That would be a mistake.

Keep in mind that this is company that roared into market leadership in the United Kingdom in just the past 15 years through excellent systems, clear goals and listening to the marketplace. Take them lightly at your own peril. As someone said years ago, it's very easy to go from Wow! to Ow!

The second lesson comes from the company Tesco displaced at the top of the food chain in the UK: Sainsbury.

A few years back, I had a chance to visit Sainsbury and the mood in the store was dismal. Employees seemed unmotivated and the malaise was apparent to visitors and shoppers alike.

Not anymore. Sainsbury may still have a long way to go to catch Tesco, but not in mood and attitude. The stores look sharp and modern, and staff is clearly focused. I got to speak briefly with the manager of one store about the change, which he readily admitted was true.

So what got this manager going again, I asked? His answer couldn't be clearer: It's all about communication. Sainsbury's top brass is talking to the entire company, giving them goals, direction and focus. Armed with that the company is coming back strong.

I heard the same thing at Tesco. Employees there can tell you that it all comes from the top. The commitment of leadership filters right down to the stores. The power of leadership, it seems, is alive and well.

So is the power of food. The last lesson came from Paris where, as you might expect, food is taken seriously. And what a great concept that is.

Even Parisians it seems are time pressed and aren't always ready to prepare the kinds of meals we Americans think they live on. Sometimes they are rushed and that means prepared meals and step savers, just like in our stores.

But that doesn't mean they take their food any less seriously. So a Parisian supermarket still finds a way to offer efficiency and time economy in an environment where good tasting food is still highlighted. If we are what we eat, the Parisians are going to enjoy that moment.

Good tasting food, top-down communications and clear focus on goals. Hardly any rocket science there. But it's those unremarkably remarkable lessons that sometimes really matter.

### **Private Label Bandwagon Rolls Own**

*Ad Week* reports that "store brands are fighting big brands in several key ways: a new sensitivity to consumers' changing lifestyles; quick-response times (a result of their ability to collect data at point-of-purchase); stylish packaging; and higher-quality ingredients. One new development: U.S. retailers are offering an increasing number of tiered private-label options, a strategy well entrenched in the more sophisticated U.K. private-label market.

"National manufacturers, slow to respond to private-label practices, are finally waking up to the changing world order, with some fighting back and, in some instances, even joining the enemy camp. . .," recognizing that private label sales growth, according to some Nielsen numbers, is stronger than that for national brands. "And as those retail brands seek to grab more share," *Ad Week* writes, "management consulting firm McKinsey estimates that as much as \$55 billion in sales of national brands may be at stake over the next decade."

And, *Ad Week* goes on, "Another measure of the growing credibility of store brands will be on view next month at the Private Label Manufacturers Association trade show in Chicago. For the first time the event will play host to a number of big-ticket store expenditures like financial services and vacations. While retailers like Wal-Mart and Costco already offer those options to customers, the PLMA says that to meet popular demand, regional retailers are also jumping on the trend, from Wakefern Food Corp. in the mid-Atlantic states (offering a ShopRite private-label credit card) to the largest supermarket chain in Texas, H-E-B, which is marketing life and auto insurance with stores inside H-E-B locations."

## **BREAKING NEWS: Wal-Mart To Acquire Balance Of Seiyu For \$862 Million**

Wal-Mart announced this morning that it is making a tender offer for the equivalent of \$862 million (US) for the approximately 49 percent of Seiyu that it does not already own. The offer has been made with the endorsement of Seiyu's board of directors.

Wal-Mart first bought into Seiyu in May 2002, and became the majority owner of Seiyu at the end of 2005,

"Today's announcement is a reaffirmation of our commitment to Japan, the second largest economy in the world," said Mike Duke, Wal-Mart's vice chairman, in a prepared statement. "The Japanese retail market is of major strategic importance to Wal-Mart, and our goal is to achieve long-term success and growth in Japan. Full ownership by Wal-Mart is the best way for Seiyu and Wal-Mart to accelerate the delivery of long-term benefits to our customers, the communities we serve, our associates and our business partners."

### **FastNewsBeat**

- The *Grand Rapids Press* reports that Meijer has opened a new store in Cascade Township, Michigan, that offers "redesigned displays, expanded product lines and more choices in organic and fresh foods," and is "designed to create small boutique-like settings within the store."

"The traditional Meijer is still here, but we're pushing this store as far as we can in new products and services," Mark Murray, Meijer's president, tells the paper. "We are reacting to what consumers have said they want in fresh food and products."

Other features of the store, according to the *Press*: "a 24-foot pastry area features bakery items and delectable desserts, complete with a pastry chef and cake decorators, while an artisan bread section holds more fresh breads and dipping oils," as well as a cooking station doing constant sampling.

It also was announced yesterday that Meijer has extended its relationship with IBT Enterprises, the financial consultancy, and will continue identifying financial services providers to be located inside select Meijer stores.

- The *Dallas Morning News* reports that Supervalu "has fallen prey to an e-mail scam, losing about \$10 million after wiring money to fraudulent bank accounts."

According to the story, "The fraud began after the Minnesota-based supermarket chain received two e-mails – one from someone purporting to be an American Greetings Corp. employee and another claiming to be with Plano-based Frito-Lay, according to court documents. Both e-mails claimed the companies wanted payments sent to new bank accounts.

"Supervalu sent more than \$6.5 million to the phony American Greetings account and nearly \$3.6 million to the phony Frito-Lay account before realizing it was all a scam. The FBI was able to capture the money before it was whisked away by the scammers, but now American Greetings, Frito-Lay and Supervalu have all laid claim to the money."

## The MNB Wal-Mart Watch

- The *Financial Times* reports that Wal-Mart's Sam's Club membership warehouse division plans to test an online grocery sales model, offering non-perishable grocery items shipped via outside services such as UPS and FedEx, which is the model being used by Amazon.com.
- Wal-Mart CEO Lee Scott told analysts at the close of a two-day meeting in Bentonville, Arkansas, yesterday that he was optimistic about the prospects for end-of-year holiday sales.

"I feel good about Christmas," Scott said. "We are realistic about the environment we are in, but we are also optimistic. Our business is very healthy."

- Mike Duke, Wal-Mart's vice chairman, defended to investment analysts yesterday the company's decision to spend more than \$800 million to acquire the 49 percent of Japanese retailer Seiyu that it does not already own, saying that the move would allow Wal-Mart to more quickly solve the company's supply chain and operational issues.

"We believe the steps we've taken this week free us up as a company to move faster to capture what is the second largest (retail) market in the world," Duke said.

- Doug McMillon, president/CEO of Wal-Mart's Sam's Club division, told the company's analysts meeting yesterday that income from membership fees was "behind plan" and not keeping pace with expectations. "It's an area of focus for us right now because we would like to see better performance," McMillon said.

One possibility, according to McMillon: restructuring the way memberships are sold as a way of generating new traffic and revenue, not to mention mounting a better challenge to the nation's number one membership warehouse club, Costco.

McMillon speculated that Sam's would have to go beyond its recent strategy of focusing on small business members, and reach out to the general consumer population – possibly by offering a greater number of membership pricing options.

And, McMillon said, Sam's is in the process of adopting a new approach already undertaken by the Walmart.com site – allowing shoppers to post product reviews and critiques online.

## The Balance Sheet

- Ahold this morning announced that its third quarter sales were up 1.1 percent to the equivalent \$8.4 billion, with its Stop & Shop/Giant of Landover sales up 0.3 percent to \$3.7 billion (US). Same-store sales at Stop & Shop were up 1.7 percent, and down 1.6 percent at Giant. Giant of Carlisle's sales were up 13.1 percent to \$1 billion (US), with same-store sales up 2.5 percent.

Weis Markets announced that its third quarter sales increased 1.4 percent to \$565.0 million compared to the same period a year ago and that same-store sales were up 1.8 percent. Q3 net income for the retailer declined 6.5 percent to \$10.8 million.

- Amazon.com yesterday announced that its third quarter North American sales rose 42 percent to \$1.79 billion, while international sales rose 40 percent to \$1.47 billion. The company's Q3 net income more than quadrupled, to \$80 million, from \$19 million during the same period a year earlier.

## Executive Suite

- Supervalu announced that Sue Klug, senior vice president, sales and marketing for the company's Retail West region, is being promoted to president of its Southern California division. Pete Van Helden, who had held the title of president of the Southern California division in addition to executive vice president, Retail West, will focus his efforts on overseeing Supervalu's Retail West region. Van Helden had held responsibility for both positions since May 2006.
- Spartan Stores said Friday that Dennis Eidson has been named the company's new president/COO, reporting to Craig Sturken, who continues as chairman/CEO. Eidson joined Spartan in March 2003 as executive vice president of Marketing and Merchandising, and in February 2007 he was appointed to the newly created position of executive vice president/COO.