



-Week Ending 11/7/08-

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Thanks to MNB
for this selection of
articles.

Wegmans Responds To Lower Costs With Lower Prices (Go Figure!)

Wegmans announced yesterday that it is responding to two current trends – the economic strife hitting so many families, and anticipated lower costs for raw materials – by imposing price cuts on hundreds of items in its 72 stores. The cuts are in such departments as bakery, meat, produce, deli and grocery, with many of them in Wegmans' private label lines.

According to the announcement, "the price cuts are not one or two-week promotional specials; in line with Wegmans' consistent, low price strategy, these prices will be in effect for an extended period of time."

Danny and Colleen Wegman released the following statement: "During difficult times like these, it's okay with us if we make a little less money. And, as always, we are committed to offering the lowest price in the market on the items most important to families."

"Though the lower costs we expect in 2009 haven't arrived yet, we think it's necessary to lower prices now," added Jo Natale, Wegmans' director of media relations. "As a family-owned business, we can accept leaner profits in order to put employees' and customers' needs first."

Natale said that based on anticipated sales of these products, the total value of price cuts to consumers would amount to \$12 million on an annualized basis. For an average consumer shopping for a family, the savings could amount to as much as \$40 to \$60 a month.

Report: Walmart Considering New Cut-Rate Credit Card

Business Week reports that Walmart "has held talks with Herbert and Marion Sandler, founders of Golden West Financial Group, about a new credit card that would offer lower interest rates and few of the onerous fees associated with traditional credit cards. Given Wal-Mart's massive customer base and the current turmoil in the banking industry, the move could have a big impact on lending in the U.S."

The retailer, however, says that while it has explored the possibility of introducing such a credit card, it has no immediate plans to do so.





However, *Business Week* writes that “the timing for a Wal-Mart entry seems right. Banks nationwide have been cutting credit lines, hiking interest rates, and raising fees for credit-card customers they deem high-risk. Those moves come amid a surge in credit-card borrowers running late in their payments because of the slowing economy and the easy lending terms of years past.”

At the same time, Walmart has gone on record that it is seeing sales take a hit because people have either maxed out their credit cards or have decided to stop using them until the economy turns around.

The retailer has been stymied in its efforts to get into the financial services in the US, with federal regulators bowing to concerns on the part of those in the mainstream banking business about a non-bank getting into financial services. However, Walmart has opened a bank in Mexico, and plans to do so in Canada.

Winn-Dixie Links to Mayo Clinic For Health Info Services

Winn-Dixie announced this week the launch of what it called “an online initiative designed to expand the health and wellness resources available on the grocer’s website.”

Shoppers going to Winn-Dixie’s website now will find health information and recipes contributed by the Mayo Clinic, and each month will feature a different health-related topic – such as diabetes, cold and flu, nutrition, healthy diet, heart disease, digestion, asthma and allergy, men’s health, sun safety, cholesterol and breast cancer - that will be addressed through Mayo Clinic content, both on-line and in-store.

“Helping people live healthier lives is something Winn-Dixie is committed to, so this is a logical relationship for us,” said Anthony Agresta, Winn-Dixie’s director of electronic and customer marketing, in a prepared statement. “In addition to offering our fresh produce, selections of naturals and organics, quarterly pharmacy wellness clinics, and supporting health-related organizations in our communities, offering credible health content from MayoClinic.com enables us to further help our customers make informed decisions about their health.”

Sansolo Speaks (The Encore Edition): This Time Is Different

by Michael Sansolo

Around this time each year, I get a flu shot. It’s no big deal, except something always bugs me. Why do I have to get a shot every year? Isn’t it possible that last year’s vaccine could actually help me this year?

For those of us who know little of nothing about science, we know the problem with that question. The flu virus somehow changes each and every year. Somehow it becomes a little different requiring breath-taking stories on television, fears of widespread illness and death and, of course, a whole new batch of flu shots.

You have to hand it to the bug. That’s a heck of a marketing campaign.

But organisms are that way. They mutate, they change and the challenges they create shift too. I remember getting a lesson on this one year from someone who knows a lot about science: FMI’s food safety expert Jill Hollingsworth. As Jill put it, the reason food safety issues never go away is because the bugs keep changing. They mutate and the response to them has to do the same.

It’s a good metaphor for the current economic mess. We keep hearing people talk about how this is the worst thing since the Great Depression or whatever. The bottom line is: we have never been here before. We’ve never had this combination of events all at the same time in an economy with all the attributes we have today.

So the response demanded by business and consumers has to be just like the flu shot. In other words, it needs to be different. That doesn’t mean we can’t learn from the past, but we have to remember the future is the key. The difference ns this flu, this food safety outbreak and this economic downturn is what has mutated and how do we fight it.



There are signs of activity all around today. While the airwaves for weeks were full of political commercials talking about the economy, few, if any, actually provided a solution. Except for one set of ads—those coming from Walmart.

A few weeks back I wrote about Walmart's ads touting the savings of cooking a pizza at home compared to ordering out. Now, the Bentonville gang is at it again, comparing the cost of eating breakfast at home or at a restaurant. Other ads talk up the fuel savings of shopping in a massive one-stop store...just the kind Walmart runs.

Will those guys stop at nothing?

The ads serve as a brilliant reminder of Walmart's price positioning. Love them or hate them, you have to admit that Walmart talks about what concerns the consumer. It might be the environment or it might be prices. Either way, Walmart reminds customers that it cares.

Over the past decade, many retailers have found they could compete and co-exist with Walmart by doing things differently. And many have watched in amazement as Walmart, despite its size, shifted its focus, advertising a softer side instead of just price. But changing times call for changing measures and Walmart is shifting yet again. It's hard to make any predictions in the current environment, but here's one: Walmart's market share will survive the economic downturn. In fact, watch it grow.

Is it fair? Obviously, no, but life rarely is. What it means is that the game has changed and the responses shoppers demand are changing with it. The question every company has to ask today is whether or not they can make the change to fight this bug too.

In all honesty we don't know the answer this time. We don't know if the big winner will be Walmart, Aldi, Dollar Tree, Fresh & Easy, CVS or Kroger, Safeway and Food Lion. It could be some format that barely registers these days.

The problem has mutated and the response must do the same.

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Economy & Environment Combine To Change Consumption Habits

Think of it as a perfect consumer storm.

The *Wall Street Journal* reports that "the twin currents of an economic downturn and rising concern about the environment are merging in a shift in consumer psychology. After a decade of conspicuous consumption, many middle- and upper-income Americans are no longer comfortable showing off \$300 Gucci sunglasses and \$8,000 Hermes Birkin bags. They are developing a distaste for extravagance that promises to affect spending on everything from cars and travel to electronics, fashion and household goods -- and to last at least as long as the recession."

The message: It is cool to be cheap. Or at least thrifty. And green.

The *Journal* writes: "The shift began even before the credit markets broke down and the stock market plunged. Many Americans had already begun to question their 'freewheeling consumption' and move toward 'a culture of responsibility,' says J. Walker Smith, president of global trends researcher Yankelovich, a unit of the Futures Company. For many, he says, environmental concerns were an important factor in this shift."

At the same time, new research by Natural Marketing Institute (NMI) suggests that more than 80 percent of the total U.S. adult population show some type of green motivation, offering what NMI calls "a target for green and eco-friendly products and services" that make sustainability "much more attractive" and increase "the imperative for businesses to engage with consumers of all types."



Publix Launches Third GreenWise Market In Rough Waters

Publix Super Markets will open its third GreenWise Market this Thursday, in St. Petersburg, joining the two existing units in Boca Raton and Palm Beach Gardens.

According to the *St. Petersburg Times*, two more are slated to open in converted Albertsons locations in Tallahassee and Winter Park, with a hybrid version – called Publix – to open in Naples.

The story suggests that “the curious should bring an appetite. And extra cash. That’s unless they can withstand the temptations of over-the-top displays, flashy exhibition cooking and tantalizing scents of an array of freshly prepared foods made to be eaten at a 45-seat patio or more likely taken home and microwaved for five minutes ...

“If this seems a bad time to unveil a supermarket stuffed with premium-priced organics, natural foods and top-of-the-line gourmet fare, welcome to the club. After all, studies show that most Americans hold the line on food spending as a percentage of their income even in this time of soaring prices. Whether those committed to foods made without artificial color, preservatives, pesticides or antibiotics stick to their guns as the economy and their discretionary income goes south remains to be seen. Already, sales and profit at chains like Whole Foods Natural Markets have softened dramatically. GreenWise Market, however, is Publix’s competitive answer to Whole Foods and others like Fresh Market that moved into its home state to skim the cream in top income neighborhoods.”

Aldi Finds More Than Sunshine In Florida

Florida Today has good news for Aldi, not such good news for competitors that include Save-A-Lot and Walmart that traditionally depend on a low price message to attract customers.

According to a pricing survey, “Aldi offered the lowest total price for our groceries, which included breakfast cereal, chicken breasts, lettuce, wheat bread, paper plates and toothpaste -- but just barely. The grand total was \$35.92.

“Save-A-Lot, with stores in Palm Bay, Melbourne, Cocoa and Titusville, was second at \$36.54, just 62 cents ahead of Aldi ... Wal-Mart, the world’s largest retailer, was third with a tab of \$41.90.”

Also according to the story, “Publix, not known as a discount grocery chain, often appeals to customers willing to pay a little more for more in-store services such as pharmacy, bakery or meat department, and a greater selection of nationally recognized brands.

“Publix spokeswoman Maria Brous said the shopping comparison was only a snapshot of Publix prices, and the results could vary, depending on the day and the products purchased. She noted that Publix has several discount programs, and if customers are willing to take the time and look for coupons and others specials, they might spend less at Publix than at other supermarkets.”

Amazon Unveils New Packaging Initiative

Amazon.com announced yesterday that it is launching a new packaging initiative designed to make it easier for customers to open the products they acquire from the e-tailer, as well as to make them more environmentally friendly.

Called “Frustration-Free Packaging,” the program focuses on two kinds of products – those encased in hard plastic “clamshells,” and those secured with plastic coated wire ties. Nineteen products are included in the initiative, from suppliers that include Fisher-Price, Mattel, Microsoft and electronics manufacturer Transcend. The products are exactly the same -- Amazon has just streamlined the packaging.

Jeff Bezos, founder and CEO of Amazon.com, said in a statement, “It will take many years, but our vision is to offer our entire catalog of products in Frustration-Free Packaging.”

The initiative is beginning in the US this year, and will expand to the company’s international sites in 2009.





FastNewsBeat

- The *Washington Post* this morning reports that the US Department of Agriculture (USDA) "is proposing stricter grazing standards for cows certified to produce organic dairy products, closing loopholes that allowed some operators to cut corners. Regulators found that some producers, though certified organic, were cutting corners on the standards because the current rule doesn't define what 'access to pasture' means. Some dairies didn't give grazing time to cows that had just given birth or wouldn't let cows out to pasture in the rain.

"The Oct. 24 proposal specifies that organic livestock, those raised free of hormones, antibiotics or pesticide-treated grain, must be allowed to graze in a pasture at least 120 days a year. Thirty percent of the cows' feed must be from such grazing, rather than being fed organically produced food in a feedlot or an indoor facility. The change, eight years in the making, is significant because consumers pay up to twice as much for organic milk, whose sales are growing but are only about 6 percent of the \$17 billion spent annually on milk."

- Food Lion's Bloom division apparently has found a promotion to love.

The company announced that it is sponsoring an attempt to break the Guinness World Record for most couples kissing simultaneously at Furman University's Paladin Stadium in Greenville, S.C. The Bloom attempt, dubbed "Kissletoe 2008," will be the featured halftime event during the Paladins' final home football game, against archrival Georgia Southern University.

This is no small effort. According to the company, "The existing record of 6,980 couples (13,960 participants) was set in Tuzla, Bosnia and Herzegovina, on September 1, 2007. However, Greenville's attempt to break Tuzla's kissing record faces significant logistical hurdles, and Bloom invites community members to bring a date to Furman's November 15 football game to cheer the Paladins and take part in this potentially historic event. Guinness verification requires all qualifying kisses to be on the lips and last at least ten seconds.

"To pack the minimum 13,962 sweethearts into a stadium that seats 16,000, Bloom will distribute thousands of two-sided, boy/girl, Kissletoe invitations to Furman University students beginning November 5, along with a 15-foot, giant sprig of mistletoe that will be hoisted outside of the school's student center that day. Additionally, Bloom will distribute promotional Kissletoe air fresheners, both at the game and at the seven Upstate Bloom supermarkets located in Anderson, Greenville, Greer, Mauldin, Seneca and Simpsonville."

The MNB Wal-Mart Watch

- Walmart announced yesterday that it will hold special in-store sales throughout the chain's US stores this Saturday, looking to entice early holiday shoppers with promotions during a time of economic difficulty. The move essentially preempts the "Black Friday" promotions usually reserved for the day after Thanksgiving in the US.

The Balance Sheet

- Walmart reported that its October sales rose 2.3 percent to \$28.57 billion, on same-store sales that were up 2.4 percent for the month.
- Target Stores said that its October sales dropped nearly 1 percent to \$4.42 billion.
- Publix Super Markets announced that its third quarter sales were \$5.8 billion, up 3.7 percent from the same period a year ago, on same-store sales that increased 1.2 percent. Q3 net earnings, which the company said were affected by a "difficult operating environment," were \$201.8 million, down 18.9 percent from the \$249 million recorded a year ago.



Executive Suite

- Bob Loeffler, the COO of HE Butt Grocery Co., has been named the company's president, becoming the first person to hold that title since the retirement of James "Fully" Clingman retired in 2002. The move makes Loeffler the official number two executive in the company, with Charles Butt continuing as chairman/CEO.

Loeffler will be succeeded in the COO role by Craig Boyan, who has been serving as chief strategic officer.

Martin Otto, the chain's interim CFO, has had the "interim" taken out of his job title, and also has been named executive vice president of merchandising and procurement.

- Brian Hotarek, the president/CEO of Bi-Lo, has decided to retire effective the end of the year, and will be succeeded on an interim basis by Randall Onstead, a member of the company's board and the former chairman/CEO of Randalls Food Markets.