

## - Retail Industry News from IRI for Week Ending 11/9/07-

*Below is the list of articles you will find for the week ending 11/9/07 edition of Retail Industry News.*

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Thanks to MNB  
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articles.

### On Second Thought: Ruminations About Tesco's Fresh & Easy Stores

#### *Notes & commentary by Kevin Coupe*

REDONDO BEACH, CA. -- Having had the night to think about – and sleep on – first impressions of the Fresh & Easy Neighborhood Markets opened by British retailer Tesco in Southern California this week, here are five things to think about when considering the probability of their success.

**1. The format is unique...but is it unique enough to generate consumer advocacy?** It was just yesterday that *MNB* reported on a new IBM study suggesting that relatively few consumers take on an advocacy role when it comes to the supermarkets where they shop – “advocacy” being defined as the kind of customer “who would recommend their grocer to others; would not switch if another valued grocer moved into the area and would increase purchases if the grocer offered other products.” Which under the circumstances seems like a timely notion to consider when looking at the Fresh & Easy stores.

Of course, it is possible that Tesco doesn't need that level of commitment from its shoppers, that it just needs to nibble away at the market shares enjoyed by a number of its competitors. But I don't think so. Whether it is the strategies and tactics employed by Tesco in rolling out the stores, or the hype generated by the media (including *MNB*, by the way, to be absolutely honest about it) in covering them, the Fresh & Easy stores would appear to be aiming to create transformational shopping experiences.

**2. Will consumers accept the high level of private label?** The jury will be out on this one for some time. Other retailers have tried and failed to convert Americans to a more European acceptance of own-label shopping, though to be fair, Trader Joe's certainly has managed the trick.

But there seems to be a difference between Trader Joe's and Fresh & Easy at this point in time. Trader Joe's not only is almost 100 percent own-label, but its shelves have a far denser mix of product. Fresh & Easy is only 50 percent own-label, with what appears to be a far more edited selection. I continue to believe that Tesco will shift a higher percentage of products to private label if the Fresh & Easy stores are successful, but the question is whether the company has the mix right for US consumers. And while a lot is being made of the enthusiastic lines that formed yesterday as a number of the stores opened, it is important to keep it in perspective.

**3. Why is the demo counter facing the back wall?** This I just don't get. Tesco talked a lot – as much as it talked about anything pre-opening – about the “Kitchen Table” where people could taste various products being sold in-store. But not only is the ‘Kitchen Table” just a sampling counter, but it faces the back wall, not the front door where it could welcome and engage the entering customer. There's probably a really good reason for this, seeing as the folks at Tesco are a lot smarter than I am...but it seems to me that they are burying what could have been a tangible point of difference for the stores.

**4. Why is Tesco ignoring two of its strengths, online shopping and database marketing?** This may just be temporary, as Tesco almost certainly has additional plans that it hasn't revealed yet. But the fact remains that two of Tesco's real strengths in the UK are its online shopping platform and its ability to do database marketing, neither of which are being done in the US.

One other note, by the way, about things not offered by Tesco. Who decided it was a good idea not to offer customers the ability to get cash back at the checkout, and instead refer them to a nearby ATM? Just curious.

**5. What do you think?** Here are some pictures...

> [http://www.morningnewsbeat.com/Gallery/Gallery\\_HitList\\_S.las?G=1](http://www.morningnewsbeat.com/Gallery/Gallery_HitList_S.las?G=1)

## **Whole Foods Recognized For Wine Department Excellence**

Whole Foods has been named the “best wine retailer of the year” award from *Wine Enthusiast* magazine – the first time, according to the magazine, that a supermarket has received the recognition.

According to a statement released by *Wine Enthusiast*, “Whole Foods Market has worked hard to establish its wine departments as must-visit destinations within a supermarket setting by focusing on providing a high level of customer service and a wide selection of wine varieties, characteristics and prices. Catering to each of its local communities, the wine departments at Whole Foods Market stores also focus on locally produced wines.

“Wine Team Members are constantly experimenting with ways to wow shoppers; recent innovations have included enomatic wine sampling stations, which allow customers to try a wide range of wines by the ounce or glass -- from the premium to the every day -- before purchasing a bottle. Wine seminars, food pairings, and tastings are also common. In addition, the design and layout of the wine departments are complimented by informational signage to help customers pair wines with food easily.”

In addition, the magazine notes, “Whole Foods Market wine departments are also noted for their large selection of organic and biodynamic wines, which provide a way for shoppers to purchase great-tasting wine while supporting earth-friendly viticulture methods. As part of the company's ‘green mission,’ Whole Foods Market will continue to increase the amount of organic and biodynamic wines it offers to its customers.”

## **Sansolo Speaks: Toyota, Tom Brady and You**

*by Michael Sansolo*

It would take quite a stretch to call me a fan of the New England Patriots. Forgetting for a second my endless devotion to the New York Giants (it's a weakness, okay!) I find so much to dislike about the Patriots. From their grouchy coach to matinee idol quarterback Tom Brady to the wide margin of victory they like to ring up frequently, the Patriots bother me.

Yet, there's something about them we must all admire including you Colts fans out there.

The Patriots, in case you aren't a football fan, are having a perfect season on the field. Incredibly, that is only part of the story. The team has been quite good for a while now, winning three championships in the last six years, a feat rarely accomplished in professional football. What seemed to gall them was how they failed to win it the other three years. Rather than rest on their laurels, the team set out to get even better. So far, it's working.

There's a lesson in the Patriots for everyone. Excellence isn't easy to achieve or maintain. It's hard enough to maintain a championship level over time. It's even harder though to ratchet up performance from an already high level. In sports, the results are usually easy to see, much as sports are measured by the fairly objective measures of wins and losses.

It's harder in business. Of all companies, Toyota seems to be finding that out suddenly.

If there was any company that seemed on a roll, it was Toyota. Its cars were nearly without equal when it came to reliability and performance. Innovation flowed too, as we've seen with the growing number of Prius vehicles around. And sales followed, powering Toyota to the top of global auto sales this year.

Only now there is a problem. *Consumer Reports* announced last week that three Toyota models would fail to gain the magazine's coveted "recommended" rating. And to make matters worse, CR said it would no longer instantly list new Toyota models as recommended, a benefit the company had enjoyed based on past performance. Toyota, like most other companies, now needs a year of performance data to get a recommended rating.

For a company that grew to prominence on the incredible reliability of its cars, the blow must have been stunning. The question is: What happens next? Does Toyota follow the New England Patriots and fight its way back to the top? Or does it brush off the criticism and carry on with business as usual. (Don't think the choice is that obvious either, as Toyota has its missteps. *New York Times* columnist Tom Friedman recently chided Toyota for being significantly less aggressive on attaining higher fuel efficiency standards in the US than it is at home in Japan.)

There's a lesson in that too. Reputations, like Toyota's, are made over time, but come down much quicker. Regaining the automatic recommendation from *Consumer Reports* will not come easily. Car ratings aren't as straightforward as football scores, but the lesson is the same. Excellence doesn't come easily.

The challenge inside any company is how to compete with the best and how to stay vigilantly focused on that goal. Competitors like Toyota or even Wal-Mart may stumble from time to time. But many times, like the Patriots, they learn from the losses and only get better.

Which is why staying with the status quo is a surefire strategy to lose.

## **Publix Takes Next Step As It Pursues Share Of Stomach**

The reports that Public has now opened its first meal preparation venture, inside one of its Jacksonville, Florida, stores. The *Ledger* notes that this concept – called Apron's Make-Ahead meals - seemed like a natural evolution for Publix, which has ventured into organics, Hispanic-themed stores, and even restaurants.

"Our competitors aren't just other supermarkets anymore," Shelly Carroll, director of Publix's meals and cooking school programs, tells the *Ledger*. "They're restaurants, they're meal-assembly stores. We want to keep Publix on top of customers' minds."

## A Compelling Argument Against In-Store TV Networks

The current edition of *Newsweek* features a “My Turn” essay by a woman named Allison Wood in which she argues against the plasma TV screens that seem to be popping up in so many retail environments. Some excerpts:

- “I like TV. Hanging out with Jack Bauer and Jon Stewart often beats spending time with almost anyone who isn't related to me. But I am sick of stumbling across a television set every time I go out to run an errand. Whose groundbreaking customer-service idea was this? ... My time is precious, and I choose carefully how to spend it. The choices I feel good about rarely involve staring at a screen that someone else just flipped on.”
- “The issue is, why have TVs cropped up in so many public places? Are they there to pacify hyperactive kids? To keep bothersome customers from chatting up the clerks or annoying other shoppers with efforts at conversation? I'm afraid their real purpose is to separate us all by yet another degree, a shiny plasma wedge meant to divide and further isolate us inside our individual techno-bubbles. Here's a news flash: just because we have the technology—and a 24/7 font of information—does not mean we have to infuse it into every last molecule of available time.”
- “Serving your customers means giving them something they need. I don't need a TV in my face when I enter your place of business; I need your attention and your assistance. I'm assuming you need my money. I think this will work if we can just keep those objectives in mind.”

## WinCo Celebrates 40th Birthday By Minding Its Own Business

The *Idaho Statesman* has a piece noting that WinCo, which it describes as a “Boise-based supermarket chain (that) has kept its prices and profile low while standing its ground against Wal-Mart,” is celebrating its fortieth birthday while remaining a company that many people don't know much about. The company, which has 60 stores and annual sales in excess of \$3 billion, has employed the following tactics as it works to keep sales up and costs down:

1. Absolute, unrelenting price discipline.
2. Carry all basic food items, but easy on the extras.
3. Keep transactions simple – no credit cards accepted.
4. Customers bag their own groceries.
5. Keep the focus on the employees, who own the company, not the executives.
6. Absolute, unrelenting price discipline.

Also key to its success – don't try to be all things to all people.

“We do very poorly with the elderly,” says chairman and former CEO Bill Long, who joined the company from Safeway in 1968 as a store manager. “Our stores are too big, we don't carry small sizes, and we don't have a lot of services. And single people aren't that interested in our product mix because we don't carry the high-end stuff. But growing families like us, and there are a lot of them. That's our customer base.”

## Safeway Considers Sale Of Dominick's & Canada Stores

The *Financial Times* reports that Safeway “is rumored to be exploring the divestiture of its Canadian operations as well as its Illinois-based Dominick's concept, according to industry sources. Though unconfirmed, the sources said, the rumors have been circulating and the company would be justified in shedding both assets.”

According to the story, “Willis Stein, the Chicago-based private equity backer of Roundy's, would be interested in acquiring Dominick's and has approached the company within the past year, according to the source familiar

with the situation. Willis Stein, which went through a busted auction for Roundy's itself during this summer's credit crunch, could create more value in Roundy's if it were to merge with Dominick's, said the source."

Roundy's itself was rumored to be for sale earlier this year, though nothing ever came of it. Roundy's currently is in the process of picking out sites for a move into the Chicago market, so the acquisition of Dominick's could be a good fit. In addition, Roundy's CEO Bob Mariano is a former CEO of Dominick's.

According to *FT*, one probably bidder for Safeway's Canada stores would be Nova Scotia-based Sobeys, which would find the western Canada stores a good complement for its existing locations. Another likely bidder could be Alimentation Couche-Tard.

While the rumors about Safeway divesting its Canada operations apparently have been circulating for a while, *FT* suggests that the current strength of the Canadian dollar would make this a prime time to sell.

## **FastNewsBeat**

- The *Pittsburgh Post-Gazette* reports that "Giant Eagle has added more medicines to a year-old program offering a month's supply of certain generic drugs for \$4 in a move that officials say makes their list of low-cost prescriptions the longest in the country. With more than 400 drugs now included, the O'Hara grocer appears to have topped the expanded offering announced by discount retailer Wal-Mart in late September. That plan covers about 360 products."
- Kroger's Central Division reportedly has launched an enhanced plastics recycling program that is encouraging customers to bring back their plastic shopping bags, dry cleaning plastic wrap and other plastics to their local Kroger supermarket for recycling. The stores are also using the barrels that are being placed each division Kroger to recycle plastics used by store personnel, such as leftover shrink wrap.

Kroger expects the program to be rolled out in all its divisions by the end of the year.

## **The MNB Wal-Mart Watch**

- Business Week> reports that the federal government's Occupational Safety & Health Administration (OSHA) has launched an investigation into Wal-Mart that is related to its alleged treatment of a whistleblower there.

The case concerns an administrative assistant who reported what she believed could have been insider trading by a senior executive. While the executive was cleared, the assistant's identity was inadvertently revealed to the executive, forcing the assistant to look for another job within the company.

While the assistant eventually did get another job at Wal-Mart, she filed the complaint with OSHA because "she contends Wal-Mart broke its own promise of confidentiality by revealing her identity, which caused her three months of extreme stress as she looked for a new job. She says she has been diagnosed with stress-induced angina, has separated from her husband, and has had her house foreclosed."

Wal-Mart has responded that the assistant agreed to have her identity revealed, something that she denies.

## The Balance Sheet

- Wal-Mart said that its October net sales rose 8.4 percent to \$27.92 billion, with US total same-store sales up just 0.4 percent.
- Target Corp. said that its October sales rose almost 10 percent to \$4.45 billion from \$4.05 billion a year ago; same-store sales were up 4.1 percent.
- BJ's Wholesale Club said that it had October sales of \$663.8 million, up from \$607.9 million a year ago; same-store sales were up 4.8 percent.
- Costco announced that its October sales were up 13 percent over the same period a year ago, to \$5.21 billion from \$4.63 billion. US same-store sales for the month were up seven percent, while international same-store sales were up 17 percent.

## Executive Suite

- CVS Caremark Corp. announced that its chairman, Mac Crawford, is retiring. The chairman's role will be taken over by Thomas Ryan, who will remain as the company's president/CEO.