

- Retail Industry News from IRI for Week Ending 11/16/07-

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Thanks to MNB
for this selection of
articles.

Study: Consumers Increasingly Make “Socially Responsible” Buying Decisions

A number of press reports note that BBMG, a branding and marketing agency, is releasing a study that claims, among other things, that almost nine out of 10 US shoppers will identify themselves as being either “conscious consumers” or “socially responsible.” In addition, two-third of respondents said that the term “green” described them “well,” and 18 percent said it described them “very well.”

In addition, nine out of ten said they are more likely to purchase products from companies that are energy efficient, 88 percent said they are more likely to buy from companies that promote health and safety benefits, and 87 percent said they want to buy from companies that support fair trade and labor practices, and are committed to environmentally friendly products. One caveat, however - the consumers said they would make these “informed” purchase decisions if the products in question were of equal quality and price.

The most socially responsible companies were identified as Whole Foods, Newman’s Own, Wal-Mart, Burt’s Bees, General Electric, Johnson & Johnson, and Ben & Jerry’s.

The broad, bottom line conclusion reached by the study? More than ever, “Americans think before they buy.”

Rishton Gets Ahold CEO Job On Permanent Basis

Royal Ahold announced that John Rishton has been made the permanent CEO of the company, losing the “interim” tag that the job carried when he was first tapped to replace the departing Anders Moberg.

Rishton is the company’s former CFO. He is being replaced in that job by Kimberly Ross, who had served as his deputy.

MNB’s Tales Of Tesco

- Published reports say that Tesco has officially opened five Fresh & Easy Neighborhood Market stores in Las Vegas, joining the six that were opened in Southern California earlier in the month.

A&P Buys Wine Merchant

The Great Atlantic & Pacific Tea Co. announced that it has acquired Best Cellars, a New York City-based wine retailer. Terms of the deal were not disclosed.

Best Cellars is described by the *Associated Press* as a concept that “groups wines by flavors and consistency, such as ‘soft’ or ‘smooth’, rather than type of grapes or region of origin and guides customers by using instantly understandable words, icons and colors. As part of the deal, co-founder Joshua Wesson who created and operated the Best Cellars concept in five retail locations, will join the A&P management team as senior director of beer, wine & spirits.

Fresh & Easy...But Not Without Glitches

A week after Tesco opened its Fresh & Easy Neighborhood Market stores in Southern California, the first in a rollout of hundreds of small-format grocery stores that will blanket Southern California, Arizona and Nevada over the coming year, evaluations of how the stores are doing continue to come in.

The *Orange County Register* has a “Fast Food Maven” column reporting on numerous out of stocks, especially in the prepared foods categories.

Fresh & Easy executives say that products have been “flying off the shelves” faster than expected, and ask shoppers to “be patient” as it tries to catch up with demand.

In addition, there are pictures on blogger Ellen Bloom’s website, which carries the Chandlerian title “LA Is My Beat,” of empty shelves at Fresh & Easy. Really, really empty shelves.

As, Bloom writes: “When I walk into a grocery store, I want to see the shelves fully-stocked and I want to have a variety of choices. Considering what I saw at the Eagle Rock/Glassell Park Store, I wasn’t impressed. I’ll see you at Trader Joe’s and Vons.”

And, in a speech to a Morgan Stanley retail conference this week, Supervalu CEO Jeff Noddle said that Fresh & Easy had been “plainer” than expected, with fewer prepared food offerings than expected...but he said that he expected greater innovation and more choice down the road from Tesco’s US operations.

Walgreen Considers Slowdown In Expansion Pace

Reuters reports that Jeffrey Rein, chairman of Walgreen Co., told an investor group this week that the company was considering slowing the pace of new store openings, but that no decision had been reached.

The upside of such a move, Rein said, would be reduced stress on the company’s personnel development programs; during 2008 alone, the company expects to need 875 new managers because of new store openings as well as promotions and retirements. This apparently places quite a burden on the company’s infrastructure, enough so that the change of pace is being seriously discussed.

The downside is that if Walgreen doesn’t take certain locations, it may lose them to other retailers, which could create additional problems down the road. Besides, new stores are a commonly accepted measurement of corporate health in the public markets, and while a slowdown might not hurt profits, it could end up being misinterpreted, causing a decline in the company’s stock market value.

Sansolo Speaks: First Steps

by Michael Sansolo

In many ways, Washington, DC, is the place common sense goes to die. So it's surprising, even somewhat shocking, when a good idea finds the light of day there.

Yet it happened recently, when business and consumer groups came together for a symposium on food safety. The theme of the day, however shocking this may sound, was to stop the finger pointing on food safety and to start working for some cooperative progress.

It would be a gross exaggeration to say the problem was solved in the day-and-a-half long symposium called *Cooperating for Food Safety*. In many ways, it's even hard to measure the success of the meeting other than the simple fact that it happened. Yet, in this case, that's a first step to be respected.

Getting food safety right and making sure that every element of the food chain gets in line—from the farm all the way to the fork—isn't a new or easy dream. But action certainly beats inaction. The challenge facing the coalition is turning the rhetoric into activity and the activity into success. Given the multi-faceted nature of food safety that is one enormous task. Luckily, the quality of players in the coalition makes you think it's possible.

Had I been a significantly better student of science many years ago, I might honestly feel a better sense of the root causes of food safety and the potential solutions to help. That isn't the case. Yet, having spent much of my career in journalism, there is one element of this problem where I feel more comfortable making a comment and it's an area that is increasingly problematic: Explaining this complex story in a way the media might actually get it and help consumers do the same.

There was a clear example of this problem that I had the easy job of demonstrating at the food safety meeting. The *Washington Post*, which almost daily runs a product recall column, listed the recall of an item sold by Kroger on the day of the meeting. There were only two problems with that item. First, Kroger had actually recalled the items days before the small article ran and, secondly, Kroger has no stores in the Washington metropolitan area. In other words, what was the point of the article?

Actually, the point was simple. It was a reminder that food and product safety is a top of mind issue right now. It was a reminder that problems are being found week after week. Most importantly, it was a reminder that food safety is almost always discussed as a "gotcha" issue, and rarely in calm reasoned terms helping readers understand how the system works and how to make sure they are taking the right steps themselves.

And that's the challenge. Getting food safety right is a big industry issue. It's about systems and audits and standards that run consistently through the food supply chain. It's about building protocols about how to eliminate problems and how to react when a problem is located. The importance of that cannot be understated.

But it's also about how to communicate this important story better than ever before. It's about how to teach consumers about their responsibility when it comes to food safety so that the home kitchen becomes just as strong a part of this new world as any farm, factory or store. It's about educating every employee of the food industry on his or her role, so that at every step food safety is Job One.

Danny Wegman, who was the keynote speaker at the symposium, has frequently talked in the past about the need for business to understand that there are places to compete and places to cooperate. On food safety, cooperation and *communication* are the way.

Let's see what steps happen next.

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

The Private Label Trend Gets Good Press

The *Sacramento Bee* reports on what it sees as a growing trend toward private label products in the nation's supermarkets, citing three California-based chains as an example:

"Pleasanton-based Safeway Inc. this year reorganized more than 70 different store brands into 10 'power' brands with updated packaging, including its O Organics, Safeway Select and Basic Red lines," the *Bee* writes. "The growth has been tremendous," said Safeway spokeswoman Teena Massingill. "We started O Organics last year with 150 items. It's now up to 200."

"Save Mart Supermarkets, which carries more than 2,000 private label items, is rolling out a redesigned look for the Sunnyside Farms and Sunny Select brands that it shares with Raley's.

"The existing brand was old and tired and held minimal value," said Alicia Rockwell, spokeswoman for the Modesto-based chain.

"Raley's, for its part, is trimming its Sunnyside Farms and Sunny Select lines in favor of its low-priced Everyday, midrange Raley's and higher-end Nob Hill Trading Co. brands. "We've gone from virtually no (Raley's branded) private label items two years ago to about 2,000 today," said spokeswoman Amy Johnston."

FastNewsBeat

- The *Financial Times* reports that France-based Carrefour plans to open wholesale cash & carry stores in India, which "will allow the world's second-largest retailer to build a presence in India without falling foul of foreign-ownership rules that prohibit offshore supermarket and hypermarket operators from opening front-end retail stores."
- Whole Foods announced yesterday that it has provided more than \$1 million in low interest loans to small-scale food producers and growers from 12 states. The Local Producer Loan Program was instituted earlier this year, and CEO John Mackey said in a statement that "the Local Producer Loan Program can make a very significant difference in helping local agriculture grow and flourish, and \$1 million in loans represents just the initial phase of our efforts."

The MNB Wal-Mart Watch

- Wal-Mart has announced that when it opens a new store next week in Sao Paulo, Brazil, it will become the company's 3,000th store outside the US – by any measurement, a significant milestone.

Since opening its first international store in Mexico in 1991, the Wal-Mart International Division has grown to become a \$77.1 billion business that, standing alone, would rank as the world's fifth largest retailer in terms of sales revenue.

According to a statement released by the company, the new Sao Paulo supercenter will "incorporate many sustainability features in its design. For example, a plant preservation area will feature 170 plant species from the Mata Atlantica, a Brazilian region threatened of extinction by deforestation. Three adult trees were transplanted to the store site, two Jerivas, a type of Brazilian palm tree native to the Mata Atlantica, and an avocado tree. The store facade will feature a 'green wall,' covered in climbing plants, contributing toward better integration of the building with the surrounding landscape. Two sewage treatment stations were built at the store site for water reutilization in the store's toilets and for garden irrigation. In the store's parking lot, a mixture of concrete and grass was used to allow better rainwater absorption, and therefore make it less disruptive to the environment."

- When Wal-Mart lost a class action suit in Pennsylvania case that charged it with forcing employees to work off the clock, it was ordered to pay roughly \$140 million in penalties. But now, the retailer may have to dig even deeper – because it also has been ordered to pay the legal fees and expenses, plus interest, for the lawyers who represented the plaintiffs. The new bottom line: \$187.6 million.

The Balance Sheet

- Canadian retailer Loblaw Cos. said yesterday that its Q3 net income dropped 42 percent to the equivalent of \$18.8 million (US), on quarterly revenue that was up 1.4 percent to \$9.3 billion (US). Same-store sales were up 1.4 percent.
- Longs Drug Stores reports third quarter net income of \$19.4 million, up 53 percent from \$12.7 million during the same period a year ago. Q3 revenue rose three percent to \$1.24 billion, from \$1.2 billion a year ago, with same-store sales up 1.4 percent.
- Wal-Mart announced yesterday that its third quarter profit was up 7.9 percent to \$2.86 billion, from \$2.65 billion a year earlier. Revenue, including membership and other income, jumped 8.9 percent to \$91.95 billion. US same-store sales were up 1.5 percent overall, with the company's discount and superstores up 1.5 percent and its Sam's Club stores up 1.8 percent.

The numbers were higher than earlier projections, and gave the markets hope for the coming end-of-year holiday selling season.

- Nash Finch Co. said third-quarter net earnings climbed to \$15.4 million, from a loss of \$4.6 million a year earlier. Quarterly revenue declined four percent to \$1.37 billion from \$1.43 billion in the previous year.

Executive Suite

- The National Association of Convenience Stores (NACS) has elected Richard Oneslager, president/CEO of Denver, Colorado-based Balmar Petroleum/First Hand Management, as the association's 2007-08 chairman. Oneslager also chairs the NACS Executive Committee, which provides strategic direction and financial oversight to the association.