



-Week Ending 11/21/08-

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Thanks to MNB
for this selection of
articles.

BREAKING NEWS – LEE SCOTT TO STEP DOWN AS WALMART CEO

In a surprise move this morning, Walmart announced that CEO Lee Scott will step down as the company's president/CEO as of February 1, 2009, to be succeeded by Mike Duke, the company's current top international executive.

Scott reportedly will continue as chairman of the board of directors' executive committee.

Eduardo Castro-Wright, who runs Walmart's US operations, has been named vice chairman of the corporation.

According to *MarketWatch*, Duke "is taking the helm at a time when Wal-Mart's low-price message has clicked with shoppers facing myriad economic concerns and when global expansion has become a more crucial complement to growth in a mature U.S. market. The appointment was surprising, however, as Wall Street had previously expected Castro-Wright to succeed Scott instead.

"Duke has led the company's logistics division, U.S. and international operations, according to a company statement."

Rob Walton, chairman of the board, said in a prepared statement: "We are confident that the strategy we have in place is the right one for future success and Mike has been actively involved in developing and executing this strategy."



The Challenge Of Frugality

Interesting piece in the *New York Times* about how people are trying to be frugal in their shopping habits, but with mixed results.

"All around the country," the *Times* writes, "perfectly sound brains have been seizing up like an old car on a frigid day, particularly in the last few weeks. As Americans attempt to perform cost-benefit analyses of their needs and behaviors, they are whittling pennies from cable bills only to squander dollars on gas driving miles to discount stores, or on coupon-spurred splurges for nonessential items, like Cheez Whiz or organizing supplies. Pinched by shriveled retirement and college accounts, battered by ballooning mortgage costs, rent and co-op maintenance increases, and hedging against the possibility that a job might vanish, some are practicing economies that may not deserve the name."

It is a matter of both mathematics and priorities, as many customers find themselves in the position of having to make unfamiliar choices for themselves and their families.

Meijer Unveils Holiday Sales Early

Meijer announced that it is "again releasing its holiday ads early as it focuses on helping customers drive the most value from their holiday shopping trips. The company announced plans today to post all special holiday sale pricing a full nine days before the Thanksgiving holiday on its website, www.meijer.com."

The reason: "Economic conditions are motivating consumers to spend more time searching out the best values in retail," says Jeff Handler, senior vice president of marketing for Meijer.

The Thin Line Between Healthy & Unhealthy

A story on *MSNBC* says that a new study by the US Centers for Disease Control and Prevention (CDC) reveals that Burlington, Vermont, is the nation's healthiest city...and Huntington, West Virginia, is the nation's least healthiest city. The ratings are based on obesity rates, diabetes, exercise frequency and other standard measurements of good health.

Interestingly, as *MSNBC* writes, both cities "are out-of-the-way college towns with populations that are overwhelmingly white people of English, German or Irish ancestry."

But there are differences – Burlington's population tends to be slightly younger, better off financially, and better educated. And, *MSNBC* writes, the cultures also are different: "Bicycling, hiking, skiing and other exercises are common in Burlington. Neighborhood groups commonly focus on improving parks, working in community gardens and repairing and improving sidewalks ... healthier foods are also popular. Grass-fed beef is offered in finer restaurants, vegan options are plentiful, and the lone downtown supermarket is run by a co-op successful in selling bulk rice and other healthy choices to low-income residents.

"Burlington is helped by the presence of IBM and other employers offering more generous health benefits and corporate wellness programs than companies in Huntington, some experts suggested."



What Recession?

The headlines may be all about the recession and economic hardships being suffered by many Americans, but apparently there remains room in some communities for a kind of luxury.

The *Cincinnati Enquirer* reports that Kroger has opened its 83rd and biggest Fresh Fare store, in Kenwood, Ohio, featuring "wide aisles, a gourmet experience and everything from dry-aged beef and a sit-down sushi bar to apple tarts and chocolate truffles made by an executive pastry chef ... About one-third of the floor space is dedicated to heat-and-eat or ready-to-eat meals ... Hearth-based pizzas, a bistro, desserts made from scratch, 12 chefs and 35 line cooks."

And *Gourmet Retailer* reports that Bristol Farms has opened up its 16th and newest store, in Valencia, California, with a "a heavy emphasis on the peripheral departments, including deli and cheese, grab-and-go foods, specialty full-service meat, seafood, sushi, and locally grown produce."

FMI Launches Private Label Initiative

The Food Marketing Institute (FMI) said yesterday that it is launching "a global initiative designed to provide industry-wide leadership, education and advocacy for private brand products, one of the fastest growing segments in the retail business today." FMI said that it will debut an annual Private Brands Summit and a yearly Business Conference in 2009 that "will feature research and educational programs exploring consumer attitudes about private brand products and how to increase loyalty. The conference will enable trading partners to plan the strategies and tactics needed to maximize private brand sales."

According to FMI President and CEO Leslie G. Sarasin, "This initiative is a call to action for all sectors of the industry and all classes of retail trade to highlight the exceptional value of store brands to consumers, especially in these challenging economic times. FMI will work with retailers, wholesalers, distributors, manufacturers and other trading partners to facilitate innovation and increase consumer awareness of private brand products."

"I applaud FMI for taking this action to bring all industry constituents together for such a powerful common cause," said Milt Sender, chairman of Daymon Worldwide, in a prepared statement. "The message from the 2006 FMI Daymon Private Label Forum in Chicago was heard loud and clear, and that is that private brand is an integral and growing part of the retail food industry and an area of our business that requires greater focus and collaboration. FMI is the ideal organization to drive this process. From the astounding community response and demand, a group of leaders from the retailer, manufacturer, service provider and FMI communities bonded together to form the FMI Private Brands Group."



Sansolo Speaks: Common Senseless

by Michael Sansolo

This may come as a shock to you, but I rarely read “Miss Manners.” (The thud you heard in the background was my mom fainting.) But last week her column caught my eye because of a reference to grocery shopping. A shopper wanted to know why cashiers felt it necessary to comment on the purchases she was making. The shopper felt this went beyond annoyance and couldn’t understand why it happens.

Miss Manners agreed. “Perhaps these are people who don’t know the difference between being pleasant and being intrusive. But it is also possible that they have been instructed to chat up the customers, either because it is believed that the customers are as bored as the employees, or because it drives people like you to use the self scanners.”

I figure this will probably violate the code of good behavior, but I have a response for Miss Manners. Shut up!

Yes, there is a point at which chattiness goes too far. I never appreciate it when my waiter asks me if I am enjoying my meal either two seconds after it was placed in front of me or one second after I put something in my mouth. But what is so wrong with a cashier actually making human contact?

This is something I wish would happen more often and with some sense that it actually means something. We all love feeling supported, so I love it when a cashier comments that they actually like a food product I picked out. It shows they aren’t mindless and I like that. Plus, it makes me feel like I made a good choice.

Now, to be fair, the woman writing Miss Manners got pushed over the top when the cashier commented on the brand of tampons she was buying. Somehow we need the sales staff to keep in mind that not every purchase rates a comment. But all in all I’m betting there are many more shoppers who will enjoy the experience if the cashiers make connections.

This issue is more than just a customer annoyance. The *Wall Street Journal* ran a front-page story Monday about a computer system in use at Meijer to do exactly what Miss Manners desires: it measures cashier productivity to push for speed at the checkout and in the process reduces talk between the cashier and the shoppers. Now efficiency is great—and critically important in managing costs—but I’m not sure this is the way we want to go overall.

One problem we have in the store is too little interaction and too little that actually seems like sales. The question is how we balance customer interaction with productivity or efficiency vs. effectiveness and experience.

I wish stores would train to make interaction a more regular and value-added occurrence. Why can’t cashiers get a special sheet of specific items featured in a store? That way they have targeted topics with the shoppers. It could lead to additional sales and possibly bolster image in categories that stores are trying to make special. (Based on the *WSJ* article, Meijer shoppers are hearing a lot of complaints from cashiers about the system. That helps nothing.)

Can’t we manage some common sense too? Chattiness doesn’t work anymore than pointing out items that are personal and embarrassing. Maybe there’s a balance here.

Maybe Miss Manners could give us some guidance?



Ballot Box Lessons, Part 3

If you missed my two previous columns, I have tried to point out things business can learn from the recent election. Well, apparently politicians are doing the same...in reverse. Consider the following quote from former House Speaker Newt Gingrich at a Republican Party meeting last week as reported by *Politico.com*:

Gingrich said that the best thing the Republican Party could do right now is stop worrying about the Republican Party. "We need to worry about the nation. Wal-Mart doesn't get ahead by attacking Sears but by offering better value."

You just have to agree with Newt. It's always all about the shopper!

Even at the checkout...

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Balancing Value With Benefits In A Tough Marketing Climate

USA Today reports that "as consumers increasingly put a death grip on their dollars, marketers of food and packaged goods - even household staples such as milk, cereal, soup and laundry detergent - are wrangling with how to make their products into shopping basket survivors." That means focusing on value without cheapening their overall image.

"Before the economic slide, many focused on getting consumers to trade up' to their offerings, touting premium taste, quality or performance, as the reward for paying a higher price," the paper writes. "The trick now ... is for marketers to tout value without cheapening brand image by overly playing up cost savings — or piling on promotional price cuts." And at least part of the goal is to prevent consumers from making the move to private label products, which increasingly are seen by shoppers as being of equivalent value at lower prices.

Among the recommendations made by experts:

- Balancing the message between value and benefits.
- Taking advantage of increased consumer interest in at-home meal preparation.
- Talk "affordable," not "cheap." Value, experts say, is more than just a low price.
- Develop non-traditional alliances that can build exposure and market share.

BJ's Wholesale Finds Path To Profits Through Economic Minefield

The *Boston Globe* reports that BJ's Wholesale Club has emerged "as one of the rare bright spots in this abysmal retail environment. While many merchants are biting their nails, closing shops, and shedding jobs in the midst of one of the worst retail seasons in decades, BJ's Wholesale Club, with its discounted goods, is pretty giddy." In part because it has no debt and has been seeing higher percentage sales increases than either Costco or Sam's Club, BJ's "is capitalizing on the woes of other chains and planning to accelerate its store openings."

And, the *Globe* writes, "In some ways, BJ's is outperforming its peers because of its increased emphasis on consumers, according to analysts. Costco and Sam's Club draw a larger base of business shoppers, while BJ's attracts more consumers who shop more often for everyday grocery needs.

"But BJ's also had more room to grow than its competitors did."





After bring its former CEO, Herb Zarkin, out of retirement to retake the reins at the company, BJ's has focused on both efficiencies and fresh foods – which has enabled it to sell products that people actually want at better prices.

The *Globe* writes, "BJ's knows the good times may not last forever. The company is preparing for a weak holiday season, with less inventory and tepid expectations. Sales for general merchandise, like televisions and jewelry, have declined in recent months. But company officials are hoping the expanded holiday food selection of tiramisu, imported cheeses, and high-end appetizers such as chicken satay will drive business."

FastNewsBeat

- The *Chicago Tribune* contributes to the ongoing positive coverage being given to the private label business, reporting this morning that "store brands have come a long way, and they're paying off for grocers. Once simply cheap copycats, store brands are looking and functioning more like name-brand products, food industry analysts say. And they're becoming more important to conventional grocery chains as a tool to help battle tough competition from both discounters and health-oriented stores such as Whole Foods.
- *Forbes* reports that PepsiCo wants to build its soft drink sales by getting shoppers to become "engaged" with its brands, helping the company to "determine new flavors and other aspects of the brand." The company's goal is said to be to "bring out more innovation, reduce artificial ingredients by using more natural sweeteners and tap into the trend of consumers being more experimental."
- Call it Black Thursday. Kmart announced that most of its US stores will be open on Thanksgiving Day from 7 am to 9 pm, giving shoppers a 24-hour head start on the traditional Black Friday sales that start off the end-of-year holiday season.
- Published reports say that Hy-Vee's new Heartland Pantry store has opened in Lincoln, Nebraska, a small-store format designed to appeal to residents of a neighborhood where the company had previously closed a supermarket. The store is said to have all the basics, though without many of the specialty items usually carried by a traditional Hy-Vee store.
- In Ireland, the *Independent* reports that Superquinn is changing its "Fresh Thinking" advertising slogan in favor of one that is seen as more customer focused. "You're the business" is the new slogan, scheduled to be rolled out next week.
- Friendly Ice Cream Corp. announced this week that it is banning trans fats from its menu, following a trend already established by chains such as McDonald's and Wendy's, and adhering to legislation adopted by a number of communities.

The MNB Wal-Mart Watch

- The *Washington Post* reports that Walmart has "signed a contract to help power hundreds of its stores using wind energy, one of the largest investments in the field by a U.S. retailer ... The company said the purchase will result in the reduction of about 139,000 metric tons of carbon dioxide, the equivalent of what 25,000 cars would emit."
- *Reuters* reports that lower gas prices have resulted in higher customer traffic for the nation's Walmart stores, according to statements made by Walmart US CEO Eduardo Castro-Wright, who spoke at a Morgan Stanley investor conference. That stands in stark contrast to the reduced trips that were being made earlier this year when



gas prices were rising almost every day.

- The *New York Times* reports that Walmart plans to “give more than 90 million pounds of fresh food annually to the nation’s largest nonprofit organization addressing hunger, Feeding America. The program ... comes as food banks across the nation are reporting increased demand, though Margaret McKenna, president of the Wal-Mart Foundation, which oversees the company’s giving program, said the gift would continue far beyond the immediate crisis ... The company will not seek a tax deduction for its gift, she said, and thus could not estimate its dollar value.

“Wal-Mart’s annual donation will account for more than 4 percent of the roughly 2.2 billion pounds Feeding America, formerly known as America’s Second Harvest, distributed last year.”

The Balance Sheet

- C-store chain The Pantry said that its fourth quarter profit was up 24.5 percent to \$22.9 million, from \$5.6 million during the same period a year ago. Q4 revenue rose to \$2.51 billion from \$2.02 billion a year ago.

The Pantry’s annual earnings were \$31.8 million, from \$26.7 million a year ago. Annual revenue was up 30 percent to \$9 billion.

Executive Suite

- Food Lion’s Bloom Supermarkets has promoted Troy Leshko, the company’s director of Strategy and Innovation, to be its new vice president of Retail Operations.
- Golub Corporation/Price Chopper Supermarkets announced that Christina Maltbie has been promoted to the position of Vice President, Assistant Treasurer.
- Winn-Dixie announced that Cheryl Forehand, the company’s vice president of operations, has been promoted to Regional Vice President for the Jacksonville region.

Shawn Sloan has been promoted to be Winn-Dixie’s Vice President of Operations. He most recently was Director of Maintenance and Energy Management.

Rich Cline has joined Winn-Dixie as the Vice President of Operations Support. Most recently, he served as Vice President, Store Operations for Pamida, in Omaha, Nebraska.

Mike Istre, a division president at Winn-Dixie, has been appointed to Vice President, Maintenance, Energy and Property Management.