



-Week Ending 11/28/08-

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Thanks to MNB
for this selection of
articles.

Christmas Got Run Over By A Recession

Less than a week before the official beginning of the end-of-year holiday shopping season, The Conference Board has published a new report saying that it almost certainly is going to be a blue Christmas for retailers, as consumers plan to spend significantly less on presents this year than a year ago.

According to the report, "US households are expected to spend an average of \$418 on gifts during the holiday season, down from last year's estimate of \$471 ... Only 27 percent of all households intend to spend \$500 or more on Christmas gifts, down from 33 percent last year. Thirty-seven percent plan to spend \$200-\$500, and 35 percent are planning to spend less than \$200."

Other points made in the study:

- "Households headed by individuals 65 and over intend to spend the most this season, with a \$469 average spending budget. Households headed by those aged 35-44 intend to spend \$419 on gifts. Households whose incomes top \$50,000 intend to spend \$551 for Christmas gifts."
- "The top Christmas spenders will be East North Central households (Illinois, Indiana, Michigan, Ohio, Wisconsin) who intend to spend an average of \$550. Lowest Christmas spending will be in the West South Central region (Arkansas, Louisiana, Oklahoma, Texas) where consumers intend to spend an average of \$330 on Christmas gifts."

As for holiday shopping on the Internet:

- It is projected that "39 percent of all consumers will buy Christmas gifts on the Internet. Books top the list of online Christmas buying, with 38 percent saying they will buy books as gifts. Toys and games came in second with 36 percent of consumers intending to purchase these gifts online. Apparel and footwear rank third as online Christmas buying choices, followed by movie videos and DVDs."





- “Of the 41 percent who said they purchased Christmas gifts last year on the Internet, 94 percent said they were satisfied with their online buying experience.”

Food Prices At Center Of Economic Debate

The *Washington Post* weighs in with the latest story about how, despite the fact that energy prices have plummeted in the current economic climate – becoming pretty much the only bright spot in a recessionary period – food prices show little sign of coming down.

“Earlier this year, oil prices reached record highs, setting off a chain reaction of price increases that has rippled through the economy, ultimately showing up on grocery receipts,” the *Post* writes. “In recent months, some of those trends began to reverse. With a gallon of gas now closer to \$2, the cost of nearly everything has also decreased. The Labor Department reported this week that the Consumer Price Index, a closely watched inflation gauge, fell 1 percent in October -- the biggest one-month drop in more than 61 years.

“One exception, however, was food prices, which rose three-tenths of 1 percent compared with the previous month. Although prices for several types of food, including produce and dairy, dropped last month, categories such as cereal and meat continued to grow. According to the CPI, the cost of food has increased 6.1 percent over the past 12 months, not adjusted for inflation, though the rate of growth has slowed since this summer.”

C-Store Chain Adopts Private Label Strategy

The *Dallas Morning News* reports that 7-Eleven “is expanding its private-label products as more consumers seek out store brands to save money.” The nation’s largest convenience store retailer said that it is “developing 180 private-label grocery items that are 10 percent to 20 percent cheaper than national brands,” and that will be marketed under the 7-Select name.

Sansolo Speaks: Cliff Hangers

by Michael Sansolo

If you’re anything like me, last week was a tough week as we watched the increasingly sad fate of some American institutions. Of course, I don’t mean General Motors, Ford and Chrysler. Rather, the stunning announcement that Marlena and John were both fired from “Days of Our Lives.”

Now in the name of honesty I have to admit that I know nothing about “Days of Our Lives.” (FYI...Kevin made me watch the show just for this column. And, wow! A lot of stuff happens in seven minutes...which is about all I could bear to watch So much bad news, uncertainty and tears occurred that I thought I was watching the nightly news Wall Street report.)

But apparently the big news is this: “Days of Our Lives” is an institution pre-dating television itself and the firings of two cornerstone characters were necessitated by budget cuts. And the problem at “Days” isn’t isolated to a single show. The entire genre of soap operas is having issues.

Much of this, of course, is caused by the societal changes that we are all familiar with. Apparently the majority of women now in the work force are seeing enough drama during the day to avoid wanting anymore on television. What’s more, many of the women (and men) at home during the day now have the benefit of 2,000 channels of endless choices.





Now you can watch real drama on any of the non-stop news, sports or relationship shows on the air instead of a masked gunman, a woman battling cancer, an unspecified emergency pregnancy, a complicated murder charge and a big time love triangle - all of which came up in my seven minutes of "Days." (Maybe I should start watching...)

There are great parallels here with the problems many of us face in industries that are also American institutions. We can question whether the soaps changed sufficiently to meet the desires of a new audience. We can ponder whether the story lines were relevant, the casting in step with today's diversity and if the entire industry properly understood the impact of new competition. (Thank you, Ellen DeGeneres.)

Incredibly enough, we can find some easy answers from another television show and one that prided itself on never giving lessons: "Seinfeld."

It might shock you to learn that "Seinfeld," the show about nothing, has been out of production for a decade. That means the last time there was a new episode, Bill Clinton still had two years to go in the White House and the Yankees were world champs. Some other stuff changed, too, or so I'm told.

The reason it seems that "Seinfeld" never left is its constant presence in re-runs. But that's not the story. As reported in the *New York Times* this past weekend, "Seinfeld" has managed to stay one of most popular re-runs on television and is now reaching out to a whole new audience.

To draw today's college students into the world of "Seinfeld," the program is marketed heavily on college campuses, including the use of a tour bus/museum to highlight some of the show's more famous episodes and props. (Fusilli Jerry anyone?) A quick check of Facebook.com found more than 500 groups devoted to "Seinfeld," many with more than 5,000 members.

The result is continued popularity for a show 10 years after it produced its final episode. (One could say that "Seinfeld" remains the master of its domain. Not that there is anything wrong with that.)

It has to make you wonder if other institutions could win with similar marketing efforts.

Could supermarkets possibly re-introduce themselves to the younger generation by reaching out to them in new ways?

Could new energy and unusual marketing excite new customers about stores and products?

Are institutions condemned to crumble or could they be repositioned to win into the future?

Will anyone ever catch the masked man on "Days of Our Lives"?

I hope so. I just love a happy ending.

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Nimble Sunflower Eyes Aggressive Texas Expansion

The *Austin American-Statesman* reports on the expansion efforts being engineered by Sunflower Farmers Markets, the Colorado-based chain looking to lure shoppers who are simultaneously concerned with healthy eating and worried about their spending on food...and who find Sunflower to be a more palatable choice than companies perceived to be high-priced such as Whole Foods.

By coming to markets such as Austin, Texas, the paper writes, Sunflower is undertaking an aggressive approach, since it puts it squarely in competition with Whole Foods and HEB. But CEO Mike Gilliland, who co-founded Wild Oats in 1987, says that his company's frugality and attention to detail will allow it to be competitive and earn market share.

"Twenty-five years ago, if you had the product and you were a big natural foods store, it was a big deal," Gilliland tells the paper. "All you had to do was open the door and people would pay whatever." But now, he says, "it's more of a precision business than it used to be in terms of we don't work on a lot of margin, so we have had to adopt a lot of big-grocery-store practices in terms of ... just really watching the pennies."

Cash In, Credit Out: Consumer Habits Change

The *Boston Globe* reports that the current economic tumult is resulting in the increased use of cash instead of credit cards – in part because less credit is available from troubled financial banking institutions, and in part because consumers are being smarter about their own debt loads.

It could be a long-term shift. "Even when the economy recovers and credit loosens up," the *Globe* writes, "analysts say more Americans - shaped by what could be a deep and long-lasting recession - are likely to stick with buying only what they can afford, just as their parents or grandparents did after the Great Depression."

Retailers are seeing the impact in how and when shoppers spend money, according to the story. One effect has been that people tend to be spending more on payday, because that's when they are cash-rich. It also means that people are spending less overall, which is digging into retailers' sales and profits.

FastNewsBeat

- The *Washington Post* reports that Blockbuster has begun marketing a new system that will allow customers to use "a small box that connects to television sets and stores video after it's downloaded over high-speed Internet connections." The system marks a foray into on-demand video services that the *Post* notes "may give consumers another reason to bypass the struggling video chain's 7,500 stores," thought the company says that it believes that its brick-and-mortar stores will "remain relevant" for some time to come.

- The *Pittsburgh Business Times* reports that "Giant Eagle is squeezing yet another promotional opportunity out of its fuelperks! program, partnering with Citizens Bank to enable the bank's customers to generate a few more pennies per gallon off their fill-ups at Giant Eagle-owned GetGo convenience store locations.

"Giant Eagle already counts Citizens as a partner as the grocer's in-store bank, with 55 branch locations in the 97 supermarkets. "Now, the region's dominant grocery store will give Citizens Bank members an added three cents off per gallon for each \$50 they spend in Giant Eagle stores using their Advantage cards and their Citizens Bank debit cards. Currently, Giant Eagle Advantage card users generate ten cents off per gallon for every \$50 they spend now."



The MNB Wal-Mart Watch

As reported here on *MNB* last Friday morning, Walmart has 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.

Most articles about the executive shift say that it reflects Walmart's increasing dependence on international markets, and that Duke's experience there will make him an ideal leader at this time.

The *Financial Times* this morning assesses the move, writing that "Mr. Duke will bring an entirely different style to the highly political position of head of the world's largest company.

"He has been less comfortable in dealing with the media than Mr. Scott and has rarely acknowledged company shortcomings in public. However, he has won the loyalty of colleagues with his open management style, effectiveness and concern over poverty and social issues."

FT also notes that "he will be Wal-Mart's fourth chief executive, and the first not to have worked with Sam Walton, the late founder who died in 1992."

Business Week writes that "the change as more of a victory lap than a forced departure for the 59-year-old Scott, whose tenure had been marred by disappointing results and controversy until this year." While the slumping economy has helped Walmart's sales and profits – it is a good time for an "always low prices" message – the general feeling seems to be that Scott's vision for the company, even when unpopular, positioned it to be in the right place at the right time.

The magazine also suggests that the move could have repercussions elsewhere in the company. "Duke's appointment is disappointing news for two other executives considered candidates for the top job," Eduardo Castro-Wright, who runs the company's US stores, and C. Douglas McMillon, who runs the Sam's Club division."

Fortune puts the shift in political terms, noting that Walmart is getting a new CEO at the same time as the US is getting a new president.

"Not since the mid-term elections of 1994 has Washington seen such a seminal power shift, and that change is unlikely to favor the nation's largest employer," *Fortune* writes. "President-elect Barack Obama and a Democratic-led Congress are widely expected to champion issues that Wal-Mart has long opposed, such as expanded health care insurance and labor reforms ... Wal-Mart has not exactly had a cozy relationship with Democrats over the years. In 2000, when Scott was named CEO, 85% of Wal Mart's political donations went to Republicans and 14% to Democrats, according to the Center for Responsive Politics, a nonpartisan group that tracks political contributions. Although that gap has narrowed this year (53% to Republicans, 47% to Democrats), Wal-Mart's funding of political action committees still skews overwhelmingly Republican by a margin of more than 2-to-1. The company disputes those numbers, saying 55% of its PAC donations go to Republican organizations with 45% going to Democratic ones.

"By ushering in a new CEO, Wal-Mart has an opportunity to clean the political slate. At the moment, there is little to suggest that Duke, 58, a former department store executive who joined Wal-Mart in 1995, will be vastly different from Scott in his political dealings.



“He has personally donated money to the presidential election campaigns of Mike Huckabee, George Bush and John McCain as well as to other Republican candidates, such as Alaskan Congressman Don Young, according to Political Moneyline, a web site that tracks political contributions.

“But sometimes a symbolic gesture is all it takes to shift the debate.”

The Balance Sheet

- Dollar Tree Stores said that third quarter profit was up 20 percent to \$43.1 million, from \$35.9 million a year earlier. Sales for the third quarter rose almost 12 percent to \$1.11 billion, with same-store sales that were up 6.2 percent.
- United Natural Foods reported that its Q1 net income dropped 2.3 percent to \$13.2 million, from \$13.6 million during the same period a year ago, affected by the wholesaler’s acquisition of specialty foods company Millbrook.. Q1 sales rose to \$864.2 million from \$736.4 million.
- Hormel Foods Corp. said that its Q4 net income was down 33 percent, to \$67.8 million, from \$101.2 million a year earlier. Q4 revenue rose to \$1.86 billion from \$1.66 billion a year ago.