



-Week Ending 12/11/09-

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**Thanks to MNB
for this selection of
articles.**

Report: Tesco Plans To Bring Loyalty Card Program To Fresh & Easy

The *Financial Times* reports this morning that Tesco, which has run a highly effective Clubcard loyalty marketing program in the UK, plans to expand usage of the program to its US Fresh & Easy Neighborhood Market division.

The story, by the always reliable Jonathan Birchall, notes that "a loyalty programme would mark a shift in Tesco's strategy in the US. The company originally envisaged Fresh & Easy, which it launched in 2006, as a 'hard discount' store focused on delivering the lowest possible price to shoppers.

"The move comes as Tesco steps up its marketing efforts in the US as it gains scale. It launched its first regional radio and newspaper advertising campaign in September."

The story points out that whatever Fresh & Easy does in terms of loyalty marketing, it will have to do without the considerable expertise and experience of Dunnhumby USA, the data analysis and marketing company that Tesco owns with Kroger - a retailer with which Fresh & Easy competes. Kroger has US supermarket exclusivity with Dunnhumby, and so Fresh & Easy will have to find another route to creating a program here.

Supervalu's Herkert On "The New Normal"

The *Wall Street Journal* this morning has an interview with Craig Herkert, Supervalu's new CEO, in which he discusses the new direction in which he is taking the company in an troubled economic environment. Some excerpts:

- *On the economy:* "The way we talk about it internally is, expect that this is the new normal. Now, one would certainly hope that we're not at 10% unemployment as the new normal. By the new normal, I mean the customers' focus on value."
- *On pricing:* "In too many cases, we've trained our customer to only buy certain goods when they're on promotion, because we've allowed the gap between the promotional price and the regular price to become too great.

"So the regular price on product X was \$4.19 and the promotional price was \$2.99. Maybe the regular price should be \$3.49 and the promotional price maybe stays at \$2.99. But if I can sell more at regular price and not send my customers down the street ... I'll be much better off."





• *On expanding the Save-A-Lot limited assortment chain:* "The average household income of the Save-A-Lot shopper is \$40,000 a year. That's about half the U.S. population. There is an underserved market segment there ... We have gotten approval from our board to reduce our dividend next year and we intend to primarily invest the proceeds of that to grow our Save-A-Lot business. We've also reduced costs for our Save-A-Lot licensees by 20% to 30%."

Sansolo Speaks: "What People Notice"

by Michael Sansolo

Professor Marianne Jennings of Arizona State, a terrific writer and speaker on business ethics, says there is an easy test for culture in a company. In short, it's what people do when no one is around watching. If you doubt the power of what she says, think about how differently you drive when you see a police car in the mirror. For many employees, a manager on site is just the same. What's more telling is what happens when no one is watching.

Last Friday MNB ran an interesting letter about the incredibly thoughtful response by a cashier in an Aldi store, who helped a mildly disabled customer with trouble paying. Incredibly, on the same day I was in another Aldi store, seeing something possibly more profound, which cost the company nothing and gave an interesting look into its culture.

But let's start with some context here. In many ways, Aldi serves the most economically distressed shoppers in the market. The stores are simple; the merchandising sparse. It's easy to expect that service would be the same. Yet, what I witnessed was a cashier going out of her way to compliment shoppers on their choices and greeting everyone with a warm and engaging voice. In short, she was going far beyond expectations and treating shoppers in a way some might rarely see anywhere in their lives.

It's hard to know how Aldi is training for these moments, but clearly something is working. The message to treat customers with dignity and kindness is coming through.

Sadly, it's also too easy to see the opposite in action. Again, let's have some context. Last week I escorted a group of 11 Italian retailers on a tour of stores in New York and Chicago. Many stores rightly have reasons to withhold any great welcome to groups and given the time of year, most of the requests for meetings with managers were politely declined even though the group was welcomed to tour.

In most stores we visited - Target, ShopRite, Whole Foods, Trader Joe's and Walmart stand out - employees were both courteous and curious. Frequently they went out of their way to explain the rules of a visit and answer some quick questions.

Sadly, we saw the opposite reaction in a store I've heard many people (including Kevin Coupe) rave about. To avoid calling them out publicly, let's just say it was an independent operator in northern New Jersey. Now this is a terrific operator with interesting merchandising, wonderful fresh products and a solid emphasis on pricing. But just as a kind cashier can elevate Aldi, a rude employee can do the opposite to a store as strong as this one.

As the Italians walked around the store many of them drifted to the sample stations. One employee (apparently a manager) was audibly annoyed, asking loudly if the group intended to buy anything. I had to point out that they were in fact purchasing food to eat (a total of \$130 to be exact) but that did little to change his mood. Once out of the store, the Italian retailers admitted they were stunned by the comments and questioned why any store employee would act that way.

Of course, some retailers will reason that being rude to a group of visitors is hardly going to impact business. After all, the visitors aren't coming through again so what harm is there.

I'd argue: Plenty.

First off, in many of their other store visits the Italians found retailers eager to discuss products from Italy. Some wanted to discuss future business; others discussed trade possibilities. Nearly all asked for professional feedback.



But worst of all, think of the message that came through to other shoppers of the store who heard the rude comment. To untrained eyes and ears, what they might have determined was that the store puts out samples grudgingly, while watching if shoppers are actually buying that product. Just as anyone within earshot of the Aldi cashier would have given the store credit for caring and kind associates; in the New Jersey store the exact opposite message would have come through.

Culture, as Jennings says, is what happens when no one is watching. In truth, though, someone is always watching. And that's why culture always matters.

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Green Is Good

The *Tampa Tribune* reports that Delhaize-owned Sweetbay Supermarkets has opened a new store there that is "a virtual showcase of eco-friendly energy-saving projects not usually seen in grocery stores. There are motion sensors that turn on lights when customers walk nearby. And rather than open-air shelves, huge areas of the store have refrigerators with glass doors ... There are hyperefficient air conditioners, on-demand water heaters, restrooms that use reclaimed water for flushing and even preferred parking close to the door for hybrid cars."

As a result, the *Tribune* writes, "Publix officials are thinking along similar lines to save energy, and a slew of projects will start appearing in their stores soon, if not already."

A Different Kind Of CFO

The *Wisconsin State Journal* has a terrific story about Metcalfe's Market, a two-store, family owned retailer with units in Madison and Wauwatosa, where they've hired a new executive chef.

But more importantly, her role goes beyond what many store chefs do.

"I'm not the deli chef," says Leah Caplan, who is well known in the area for her culinary expertise. "I'm sort of the chief food officer of the store. Everything from sourcing local products to deciding, 'Does this popcorn taste good? Is this something we want to carry?'"

According to the story, "Caplan's assignment at Metcalfe's goes beyond coming up with a tastier potato salad for the deli. Besides offering recipes for takeaway foods, Caplan also is the liaison between the store and local suppliers of meat, vegetables, cheese, fish and other items ... Caplan said her goals are 'very basic': to incorporate as many local products as possible. Other immediate projects include working on new offerings in the cafe and expanding the artisanal cheese selections."

The Other Frugal, Family-Owned Retail Empire

Business Week reports on France's Auchan chain, which is headed by Gérard Mulliez, described as that country's version of Sam Walton, "a frugal, plain-talking, small-town entrepreneur who parlayed a single storefront into a sprawling empire."

The magazine writes, "Mulliez is patriarch of a secretive family that controls one of the world's biggest retail operations, with more than 7,000 stores and annual sales of some \$95 billion. The family's two-dozen-plus companies include Auchan, a Wal-Mart-like big box; Decathlon, the world's biggest sporting goods retailer; and the European and Latin American operations of Midas muffler. And they're gaining ground against competitors, especially in emerging markets, which hold the key to growth as sales in the U.S. and Western Europe have flattened ... Even most French people don't realize the extent of the family's holdings. True, \$95 billion in sales pales next to Wal-Mart's \$405 billion. And it's a good distance behind the \$145 billion sales of the global No. 2 retailer, France's Carrefour. But it's neck-and-neck with Britain's Tesco and Germany's Metro, which round out the world's top five retail groups."



FastNewsBeat

- In upstate New York, the *Watertown Daily Times* reports that Golub Corp.'s Price Chopper wants to acquire four P&C supermarket locations owned by bankrupt Penn Traffic; despite some rumors, no price tag has been connected to the hoped-for acquisition.

The stores are in Canton, Potsdam, Massena and Gouverneur; both sides reportedly agreed to the deal in principle before Penn Traffic went into its third bankruptcy.

- The *Chattanooga Times Free-Press* reports that the Tennessee community is getting a new Earth Fare supermarket, the 17th opened by the organic chain.

Here's the line from the story that grabbed MNB's attention:

"Earth Fare also believes in sharing its prosperity with the communities it serves, which (CEO Jack) Murphy said is already happening by investing more than \$2 million in the local construction industry while preparing the space to open. The store will employ about 110 people from the local area."

"Prosperity"? *Qu'est-ce que c'est?*

- In western New York, the *Brighton-Pittsford Post* reports that Wegmans will open its new Next Door Bar & Grill to the public tomorrow. The new restaurant features "a larger bar and dining room" than the old Tastings restaurant that the chain closed down last month, as well as "a Robata grill and sushi bar ... and four private party rooms."

The restaurant is adjacent to Wegmans' Pittsford store.

- The California Grocers Association (CGA) announced that supermarkets chains around the state - including Fresh & Easy Neighborhood Markets, Raley's, Ralphs, Safeway, Save Mart, and Vons - have combined to donate close to sixty tons of food to the state's WE Can Food Drive, responding to a call by Governor Arnold Schwarzenegger and First Lady Maria Shriver.

The MNB Wal-Mart Watch

- Walmart reportedly has signed a deal with the Federation Internationale de Football Association (FIFA) to create branded World Cup shops inside its stores all over the world, with merchandise customized for the country in which the stores are located. This is the first time that FIFA has created such a retail linkup with one retailer; Walmart also has committed to host special events connected to the 2010 World Cup.

The Balance Sheet

- Ingles Markets reports that its 2009 annual sales were \$3.25 billion, up 4.3 percent, on same-store sales that were up 7.9 percent. Annual gross profit increased \$36.7 million, or 5.2%, to \$743.1 million, compared with \$706.3 million for the year earlier.

Ingles' Q4 net sales totaled \$830.1 million, compared with \$842.8 million for the comparable quarter in fiscal 2008. Gross profit for the fourth quarter totaled \$184.8 million, an increase of \$4.4 million compared with the fourth quarter of fiscal 2008.

- Tesco PLC said that its total third quarter sales were up 7.7 percent, and UK sales up 2.8 percent.
- BJ's Wholesale Club reports that its November sales were up 6.4 percent to \$833.6 million from \$783.2 million reported in the same month last year; same-store sales were up one percent.
- PriceSmart, which operates membership club stores in the Caribbean and Latin America, said that its November net sales increased 2.9 percent to \$108.7 million from \$105.6 million in November a year earlier. Same-store sales were up 0.8 percent.



- Kroger said yesterday that its Q3 revenue increased 0.3% to \$17.67 billion, compared to the same period a year ago., with same-store sales, excluding fuel, up 1.3 percent. However, the company also reported a third quarter loss of \$874.9 million, compared with a profit of \$237.7 million a year earlier. The company said that the loss could be attributed the tight economic climate as well as its ongoing price wars with Walmart.
- Costco reports that its first quarter profit was \$266 million, up from \$263 million during the same period a year earlier. Q1 total revenue increased 7.9 percent to \$17.3 billion from \$16.4 billion, while Q1 sales, excluding fuel and membership fees, were up 5.5% to \$16.92 billion. Same-store sales were up three percent in the quarter.

Executive Suite

- Tyson Foods has named Donnie D. King, group vice president of refrigerated and deli, fowl and export sales, to be senior vice president of poultry and prepared foods, replacing Donnie Smith, who recently was promoted to be president/CEO of the company.

In addition, Noel White, senior vice president of pork margin management, has been named senior vice president of beef and pork, replacing Jim Lochner, who has been promoted to be COO of the company.

- Winn-Dixie said yesterday that it has hired James Smits, most recently the group vice president of fresh food merchandising at Supervalu, to be its new group vice president of perishables.
- Ahold USA has promoted Rick Herring, the executive vice president of finance and chief financial officer at Giant-Carlisle, to be the new president of the division. He succeeds Sander van der Laan, who has been named general manager of Ahold's Albert Heijn division in the Netherlands.