



-Week Ending 12/18/09-

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Thanks to MNB
for this selection of
articles.

Randy Edeker Named Fourth President In Hy-Vee's History

The *Des Moines Register* reports that Randy Edeker, Hy-Vee's executive vice president, has been promoted to be president of the 228-store chain.

In taking on the job, Edeker becomes just the fourth person in Hy-Vee's 80-year history to hold the title; Ric Jurgens, who has been serving as chairman/president/CEO of Hy-Vee, will retain the other two titles and focus on more strategic issues. He called Edeker "a strong leader we can count on to lead with confidence and vision as we move to the future."

According to the story, "Hy-Vee spokeswoman Ruth Comer said the promotion makes Edeker head of all of Hy-Vee's retail operations by adding oversight of the company's drugstores and Midwest Heritage Bank to his previous supermarket responsibilities. Edeker will also be in charge of store design, marketing, advertising and communications."

Frugality Is Back In Fashion, But There May Be Hope

The *Los Angeles Times* has a piece about thrift in America, noting that "hit hard by job losses, strapped with debt or just plain weary of shopping for shopping's sake, millions of Americans ... are changing their free-spending ways.

"The brutal economic downturn has battered stock portfolios and home values and made easy credit tough to come by. Even Wall Street tycoons are consuming less conspicuously. In short: Frugal is back in fashion."

The *Times* continues: "For economists, the shift is chronicled through reams of data that track indicators such as consumer debt and same-store sales. The national savings rate, for example, which lingered around 1% in 2008, has soared to 4.4%. Sales of 'apparel and notions' have fallen 13.7% since January. Consumers are even spending less at the grocery store, according to the U.S. Census Bureau.

"All the data tell the same story. People who spent every dime of their disposable income two years ago are now saving and paying down billions in debt ... they've shifted from shopping at luxury stores to buying from discounters. They're scrimping with more vigor and tenacity than economists have seen in decades."





At the same time *BrandWeek* reports that the Deloitte Consumer Spending Index in November hit its highest level since 2004, suggesting, according to Deloitte's chief economist Carl Steidtmann, that "consumers have the means to spend at a significantly higher level than they are currently spending at . . . Cash flow, and the factors that affect cash flow, have improved and continue to improve."

However, Steidtmann added, "'I think consumers are still quite shell-shocked. There's also a very high level of uncertainty about a host of different factors from healthcare, to energy, to the stability of the banks that are all undermining people's confidence.'" This is reflected in the Deloitte Holiday Shopping Index, which suggests that consumers will continue to be reticent in their shopping habits.

Hispanic Shoppers More Committed Than Ever To Private Brands

New research from the Food Marketing Institute (FMI) Private Brands Group offers the following findings:

- "Thirty-seven percent of Hispanic shoppers are purchasing more private brand products this year and 25 percent plan to buy more in 2010."
- "More than seven in 10 Hispanics (73 percent) agree that 'store brands are a great value for the money,' including over half (52 percent) who 'strongly agree.' Nearly as many (64 percent) agree that 'store brands are just as good as national or international brands,' with more than four in 10 (42 percent) holding this view strongly."
- "Household income does not affect the amount spent. In fact, Hispanics earning \$50,000 or more per year spend the most at \$92.67. Retailers that offer multiple tiers of products, from basic to premium, can effectively market private brands to Hispanics at all income levels, according to the research."
- "Youngest shoppers, 18-24, spend more than any other age group at \$99.41 every two weeks. In addition, 42 percent of Hispanics entering their prime earning years, 25-39, have increased spending on these products this year."

Sansolo Speaks: "Questions, Questions"

by Michael Sansolo

With apologies to Leo Tolstoy, I'd argue that the current economic realities can best be stated by paraphrasing the opening of *Anna Karenina*. That is: all economic good times are alike; each downturn is unhappy in its own way.

In economic good times the industry has essentially traveled the same path, adding services, products, tastes and quality. Glory, sales and profits abound even in the face of pitched competitions. Downturns are much more complex.

After all, this is an industry born of the Great Depression, when Michael Cullen's prototype self-service supermarket changed the way Americans shopped. Recent history is exactly the same. The relatively short recession of 1990 gave rise to the emergence of alternative formats such as Walmart and Costco among others; invasions that in many ways packed the same competitive punch of the original supermarket. The relatively short downturn in 2000-01 saw a vast increase in extreme value formats such as the dollar stores, Save A Lot and Aldi.

So the questions we all have to wrestle with as 2009 ends concern what's changing now. Without question, the current economic downturn goes way beyond anything we've seen in generations. While unemployment levels were higher in the early 1980s (not to discount the misery of the current times) and while inflation was far worse in the 1970s, most every other measure of today's economic woe is unmatched since the Great Depression. And despite the economic data marking the official end of the downturn, worrisome signs remain abundant.

For this industry the questions all surround the letter c: Customers, Competition and Costs.

With customers we have to ponder both the depth and longevity of this new frugality. If this trend has staying power, the appeal of adding value, service and taste might be muted once the economy actually does recover. It's easy to assume that





the trend will disappear once good times return, but stay mindful of how long consumer behavior was scarred by the Great Depression. The big question may be how consumers will blend frugality with indulgence once the economy rebounds and how the industry deciphers and serves these new needs.

With competition we have to wonder what change might be the long-lasting mark of this downturn. It's very easy to recall the early 1990s when Walmart's first supermarkets (remember Hypermart USA?) were dismissed lightly. Even though Walmart grew at light speed, it wasn't instantly apparent how strong it would become. There's no way of telling what format is emerging or evolving today that might play a stunningly large role in the future.

With costs we have to question pretty much everything. Tough times put a premium on doing more with less and finding ways to squeeze even greater efficiency out of an already efficient system. Again, the past holds lessons. In the early 1990s the industry proudly touted its record of efficiency only to discover that virtually everything it was doing could be done better. It's essential to question everything, to consider everything and to search everywhere for improvements.

But most of all, it comes down to the simple question of what are you doing? Since this downturn began in mid-2008, what changes have you made, what elements of the status quo have you overturned, and what questioned have you asked inside your organization, of your trading partners and beyond?

If somehow you haven't asked the hard questions or made the hard decisions, use history as your guide. Consider all of those who stood firm with the status quo during the Great Depression or the downturns of 1990 or 2001 and ask if those companies survived? In many cases, the answer is no.

The odds are that we will be talking about the impact of this Great Recession for years to come. Unless you are asking questions today, you might not be part of that conversation tomorrow.

Michael Sansolo can be reached via email at msansolo@morningnewsbeat.com. His new book, "THE BIG PICTURE: Essential Business Lessons From The Movies," co-authored with Kevin Coupe, is available [by clicking here](#).

Coborn's Buys Two Cub Stores, Will Convert Them To Cash Wise Units

The *St. Cloud Times* reports that Coborn's has acquired two independently owned Cub Food stores in that Minnesota community, and will rebrand them as Cash Wise Foods.

Terms of the deal were not disclosed.

The acquisition will bring the number of Cash Wise locations operated by Coborn's to nine.

7-Eleven Testing Mobile Marketing In California

BrandWeek reports that some 200 7-Eleven stores in Southern California are testing a new mobile service that allows people to send text messages -in English and Spanish - and receive free beverages such as soft drinks, Slurpees and coffee.

The goal of the test is to see how effective the retailer can be in communicating to customers - especially those who are part of the Millennial generation - and generating specific responses.

Price Chopper Looks To Acquire 22 P&C Stores For \$54 Million

The *Syracuse Post-Standard* reports that Golub Corp.'s Price Chopper is looking to acquire 22 P&C stores from bankrupt Penn Traffic for \$54 million.

According to the story, "So far, it is the highest bid in the bankruptcy filing ... outpacing a previous bid of \$36.5 million fronted by liquidators representing an unknown buyer for the entire 79-store chain and all of its assets." There has been speculation in the local media that Tops could make a bid for some or all of Penn Traffic's stores, and there also have been reports that an





"insider" could be preparing a separate bid.

As noted by the *Post-Standard*, Penn Traffic "filed for Chapter 11 bankruptcy protection from its creditors on Nov. 18. It is the third Chapter 11 bankruptcy filing for Penn Traffic in 10 years. In the previous two filings, the company reorganized. In this filing, it told U.S. Bankruptcy Court in Wilmington, Del., where its case is being heard, it wants to essentially have a fire-sale of all of its asset, closing on sales by the first week in January," though the competition for its assets could make such a timetable problematic.

Procrastination Factoring Into Holiday Shopping Habits

The National Retail Federation (NRF) is out with a new survey suggesting that people have been delaying their Christmas shopping, reflecting a continuing recessionary mindset even though some economists are saying that the country is slowly emerging from the economic downturn.

According to NRF's 2009 Holiday Consumer Intentions and Actions Survey, conducted by BIGresearch, "the average person had completed 46.7 percent of their holiday shopping by the second week of December, less than the 47.1 percent completed by this time last year. This is the lowest percentage since 2004, when the average person had completed 46.3 percent of their shopping by the same period.." In addition, "nearly 42 million people (19.1%) had not even started their shopping as of late last week, while 8.6 percent of shoppers have completely finished. Adults over 65 years old have completed the most shopping (50.0%) while adults 45-54 year olds have completed the least (44.1%)."

Other notes from the survey:

- "With many people shopping for bargains, discount stores (42.0%) and department stores (42.0%) can expect to see the most traffic in the coming days. Grocery stores can also expect to see an increase in last-minute shopping this year (11.5% vs. 8.4% in 2008) as more people consider food or candy as a gift item or head to supermarkets to purchase ingredients for homemade meals. Electronic stores (22.0%), clothing or accessories stores (20.6%), outlet stores (13.6%) and drug stores (7.8%) will also see their share of holiday shoppers before the big day, though a big chunk of procrastinators will also shop online (38.0%)."
- "When asked which payment method they have used the most, nearly four out of ten (39.3%) have used their debit or check cards most often. As expected, fewer people have used credit cards as their preferred payment method this year (30.9% vs. 33.8% in 2008), more than one-quarter (26.0%) have used cash, and a mere 3.8 percent have relied on checks."

Ahold Buys Ukrop's For \$140 Million

Ukrop's, the Richmond, Virginia-based, family-owned supermarket chain, is being acquired by Dutch conglomerate Royal Ahold for \$140 million.

Store managers were informed of the transaction yesterday at a 2 pm meeting, and then were sent back to their stores to inform employees and show them a video made by Jim and Bobby Ukrop, according to the *Richmond Times Dispatch*.

The deal, which according to the *Washington Post* includes all inventory, equipment and leases, marks a major turning point in the history of both companies. Ukrop's, which was founded in 1937, has been a bastion of the local community and a company with specific cultural touchstones - its stores were closed on Sunday and did not sell alcohol. Until recently, Ukrop's seemed to be almost unassailable in its markets, but a toughening economy seemed to make it vulnerable; at the same time, expansions into new markets such as Roanoke did not go well, and rumors have been flying around for months that the company was on the sales block.

As for Ahold, the decision to buy Ukrop's seems to send a strong message that the company is back, and completely recovered from the financial scandal that roiled its ranks just a few years ago. Ahold sold its Tops stores in western New York three years ago and was the focus of investor pressure to sell all of its US operations; at times, it seemed like management was uncertain about how to operate the company's various divisions, especially the Stop & Shop and Giant-Landover divisions, where operations were centralized and more recently seemed to be going through something of a decentralization process.





The *Washington Post* reports that Ukrop's "will become part of Ahold's Giant-Carlisle division based in Carlisle, Pa., which also includes the Martin's supermarkets in Virginia."

According to the *Times Dispatch*, "Under its new ownership, Ukrop's will retain its name for a couple of years and be open on Sunday, according to company sources. The stores, which have been closed Sundays and do not sell alcoholic beverages, will begin selling alcohol but only after the Ukrop's name is removed, the sources said.

The sale is expected to close in the first quarter.

FastNewsBeat

- The Food Marketing Institute (FMI) yesterday announced that its Markettechnics Show will not occur as a stand-alone event, and instead will be "featured as a critical component of FMI 2010. In fact, this year's programming recognizes the fact that technology is now fully integrated into industry business and is represented in that way throughout FMI 2010's education path and exhibits."
- Kroger announced yesterday what it called "a first of its kind loyalty program that rewards frequent shoppers with free wireless service using the company's own wireless phone service, branded i-wireless. The Free minutes rewards program enables customers to earn free airtime on their i-wireless phone when they purchase groceries at the Kroger family of stores. i-wireless is exclusively available in more than 2,200 Kroger-owned stores nationwide.
- 7-Eleven said that it will acquire New England Pantry, which operates 58 White hen Pantry convenience stores in the Boston area, where 7-Eleven will now have a total of more than 170 units. Terms of the deal were not disclosed; the White Hen stores will be rebranded as 7-Eleven units.

The Balance Sheet

- Unified Grocers said that its 2009 net sales were \$4.051 billion, for the 2009 period, compared to \$4.105 billion for the previous year. Earnings for the year were \$14.8 million, as compared to earnings of \$17.4 million for the previous fiscal year. Both declines were blamed on "general economic conditions."

Executive Suite

- CVS Caremark announced that Lisa Bisaccia, the company's vice president of human resources, has been promoted to senior vice president/chief human resources officer, effective January 1. She succeeds the retiring Mike Ferdinandi.
- Arden Group, parent company of Gelson's Markets, announced that Laura Neumann, its senior director of financial reporting and compliance, has been named CFO.
- The *Denver Business Journal* reports that Chris Sherrell, the COO of Sunflower Markets, has added "president" to his title. Founder Mike Gilliland remains as the company's CEO.