



-Week Ending 12/19/08-

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Thanks to MNB
for this selection of
articles.

Walmart Considers New Effort To Expand in Windy City

The *Chicago Tribune* reports this morning that hot on the heels of a report that the one Walmart in Chicago has generated more than \$10 million in sales tax revenue over the past two years, there is evidence that the retailer will revive its efforts to open at least one more store there.

"We've shown ourselves to be a very viable business and a relevant one in the face of some pretty tough developments in the economy," John Bisio, director of public affairs for Wal-Mart in Chicago, tells the *Tribune*. "I would guess as we come out of the holidays, we would want to have that kind of conversation [with the city]."

"We're always open to talk to them about other opportunities," says Pete Scales, spokesman for the city's Planning Department.

Walmart's expansion efforts in Chicago have been stymied by concerns that its stores could put smaller retailers out of business, as well as by objections from the city's large active and vocal organized labor movement.

Sansolo Speaks: Five Questions

by Michael Sansolo

Since this is the time of year when pundits of all kinds make all sorts of lists, I figure this is a good time for me to make a list of things that puzzle, delight or irritate me. Or, more accurately, a list of questions.

Let's start with Illinois Governor Rod Blagojevich. Honestly, I've had it with all the reprehensible characters in the news lately. I'm tired of people running companies and huge parts of our economy into the ground due to greed or ignorance. Which brings me to question number one:

Have we finally reached the bottom of the barrel with this guy?

We have to start figuring out who or what we can actually blame for all the woes we are facing right now. It is so easy to point the finger at leaders of the financial industry or automotive giants for all they did and did not do. Likewise, it's easy to blame the government overseers who clearly missed everything. But, maybe it also is time to look in the mirror...





A chart in the *New York Times* recently made this clear. It showed the incredible rise in credit card debt in this country and how, a few years back, the average American starting spending more money each year than they were making. Now while I'm ticked that banks were distributing credit cards like Halloween candy and that the banking system went berserk as it made terrible loans, we also have to blame people for borrowing and spending stupidly. Everyone wants to live a wonderful lifestyle, but living within our means should matter. My mother used to say that two wrongs never make a right, which leads me to question number two:

How many wrongs it will take to finally make people do things right?

Not all the news is bad however, which brings me to an issue closer to the food industry – the power of creative marketing and merchandising. This was brought to mind by the California Raisin Board getting honored recently for having the world's biggest dancing raisin. Now that may not be the greatest promotion ever, but if you recall, dancing raisins changed the entire look of that category. And it prompts question number three:

Why aren't there other more fun, creative promotions out there?

Let me start out my next point by asking question number four:

What happens when conventional wisdom is proven wrong? Do we change or ignore the facts? (Okay, technically that's two questions.)

Here's the issue that concerns me. Everyone knows that 20 percent of the buying public---the heavy users---make up 80 percent of sales. It's called the 80/20 rule ... and it ends up that the 80/20 rule is wrong.

Catalina Marketing has an incredibly cool web tool where you can track the real percentage of the population producing 80 percent of sales and it exposes the old myth. There are products, in fact, where less than 1 percent of the population makes up 80 percent of the sales.

Now clearly the 80/20 principle has been done in by line extensions and product proliferation, but the bottom line is that it has changed. More than ever, what is on the shelf really better get thought out carefully or you might be vastly under serving the key market or vastly over-serving a group that doesn't care and won't buy.

My last point really needs to be addressed by the scientists of the world, who seem to have no sense of pity. (I heard about this from the wonderful Stephen Colbert, whose show, "The Colbert Report," combines with "The Daily Show" for the best hour of television anywhere. And it's amazing how many people now get their news from these guys.)

It's hard to imagine a bleaker year than 2008. Virtually everything has gone wrong, especially for fans of the New York Mets. Now we find out that the world's scientists will add one second to the year to keep the world's atomic clocks in synch with the slightly slowed rotation of the planet.

That means 2008, which also included a Feb. 29th, will be *the longest year ever*. How wonderful. So here's my fifth and final question:

Couldn't you guys have added the second to a better year?

(Just think what Gov. Blagojevich did with that extra second...)

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E-Grocer Introduces Fresh Produce Rating System

Marketing Daily reports that FreshDirect.com – the pure play e-grocery business based in New York City – has developed a new ratings system for fresh produce designed to make it easier for shoppers doing their ordering online.

According to the story, FreshDirect is introducing a five-star rating system “based on a daily inspection of all produce in stock by a quality assurance team. Rating criteria include taste, color, firmness and ripeness,” with five stars signifying the best and one star for low quality/out of season. The story notes that “results are updated each morning on FreshDirect’s Web site to let customers know which fruits and veggies are the best bets for deliveries to be received on the following day.”

Marketing Daily writes that “FreshDirect CMO Steve Druckman describes the ratings system as one of several new improvements being implemented to enhance the online shopping experience and customer service. Others have included more delivery time slots, more sustainable packaging, quicker responses to customer emails and an expanded wine selection.”

Sweetbay Points to Marked Market Improvement

The *Tampa Tribune* reports that recent customer surveys seem to suggest that Sweetbay Supermarkets, which operates stores in western Florida, is improving its price image in the markets in serves.

That’s an important shift, the *Tribune* writes, because when Delhaize-owned Kash n’ Karry was transformed into Sweetbay – which featured a better fresh food and customer service offering – it also picked up a high price image.

“In data gleaned from recent customer surveys, Sweetbay has improved its price image among customers 30 percent, said John Barnette, Sweetbay’s director of sales and pricing strategy,” the *Tribune* writes. “It is pushing its low-price message through its ‘Sweet Deal, Sweet Sale’ promotion. Sweet Deals are price breaks that last 13 to 17 weeks. Sweet Sales are one-week sales with deeper price breaks, said company spokeswoman Nicole LeBeau.”

The *Tribune* also writes that “Sweetbay picked up a little more of the Bay area’s grocery market share recently. Sweetbay is third in the Tampa Bay-area grocery market with 12.7 percent of the market, behind Publix Super Market, which has 38.7 percent, and Wal-Mart Supercenter, which has 20.8 percent.” Sweetbay and Publix were the only two chains to pick up market share, according to the story.

Tops Plans To Upgrade Stores...& Maybe Build New Ones

Business First of Buffalo reports that Tops Markets plans to invest \$150 million in the renovation of existing stores, while it considers opening seven to 10 new stores.

CEO Frank Curci says that “store improvement projects will take place during the next five years,” and that “60 Tops stores have been identified for renovations ranging from minor spruce-ups to multimillion-dollar renovations ... New stores, meanwhile, likely will be constructed in Buffalo, Rochester and some areas out to the middle of New York state.”

The decisions – which Curci says have been made because the recession actually is helping Tops’ supermarket business – come about a year after the 76-store chain was acquired by Morgan Stanley Private Equity from Ahold for \$310 million.



New Plan Offers Suggestions For Parents Of Finicky Eaters

HealthDay News reports that “a new federal government food pyramid for preschoolers may help parents deal with picky eating problems,” offering “individualized nutrition guidance to meet the needs of children aged 2 to 5.”

The new pyramid suggests that parents “set reasonable limits for the start and end of a meal. When you see your child is no longer interested in the meal, excuse the child from the table.” And, it suggests that parents encourage children to try new foods without forcing the issue, and that parents and kids should cook together.

“This is a great tool for all parents of preschoolers but particularly those of finicky eaters,” said Brian Wansink, executive director of the US Department of Agriculture (USDA) Center for Nutrition Policy and Promotion (CNPP). “It’s loaded with great ideas and suggestions for families so they can help their kids eat a more varied and nutritious diet. What I find most useful is how to talk with kids about what to eat and tips on how to have fun with food around the dinner table.”

Survey: More Holiday Shoppers Procrastinating This Year

The National Retail Federation (NRF) has released a new survey suggesting that “the average person had completed 47.1 percent of their holiday shopping by the second week of December, about ten percent less than the 52.6 percent average completed by this time last year.

“The survey also found that over 41 million people have not started holiday shopping, with the biggest procrastinators being men (20.7% haven’t started) and 35-44 year-olds (20.9%). Only eight percent of shoppers say they have completely finished their shopping.”

The survey notes that a lot of people are procrastinating because they think that the closer it gets to the holiday during a recession, the lower prices are likely to be. In addition, a significant number of people plan to do their late shopping on the Internet, using free shipping offers as a way to both save money and avoid crowds.

The Power Of A Differentiated Offering

The *New York Times* reported over the weekend on the increasing popularity of private label products:

“As the economy plunges into a deep recession, grocery stores are one of the few sectors doing well. That is because cash-short consumers are eating out less and stocking up at the supermarket. And store brand products, which tend to be cheaper than national brands and more profitable for grocers, are doing especially well.

“Led by chains like Trader Joe’s, Kroger, Wegmans and Safeway, grocers have expanded their store brands beyond cheap generics and simple knockoffs of Cheerios, Oreos and Coca-Cola. Now, retailers are increasingly adding premium store-brand items like organics, or creating products without direct competition.”

And, the *Times* goes on, “Dollar sales of store brands increased 10 percent during the 52 weeks before Nov. 1, compared with a 3 percent gain for branded products, according to the Nielsen market research company.

“Store brands now account for nearly 22 percent of products sold at the grocery, up from 20 percent a year ago, Nielsen found. At Kroger, store brands account for 26 percent of grocery sales. In this economic climate, the numbers suggest, many shoppers are willing to try the newly developed store brands. They also say it is hard to resist the low prices of store brands for staple goods like milk, sugar and cheese ... Besides the weak economy, the growth of store brands reflects a historic shift in the balance of power between packaged food manufacturers and grocery retailers. As grocery chains have consolidated and grown bigger, they are increasingly able to stock their shelves with their own products, which bring higher profits and drive customer loyalty — all to the detriment of major food brands.”



FastNewsBeat

- Nash Finch yesterday announced that it will acquire for \$80 million three distribution centers from GSC Enterprises. The facilities are located in Florida, Kansas and Texas, and largely service military commissaries and exchanges.
- The *Milwaukee Journal Sentinel* reports that Fresh Brands plans to change its name to Piggly Wiggly Midwest as of January 4, saying that connecting the company name to the business name makes sense for long-term growth and recognition. The company is not affiliated with C&S Wholesale Grocers, which owns the original Piggly Wiggly company and name.

The MNB Wal-Mart Watch

- *Newsday* reports that "the legal outcomes of a fatal nightclub fire in Rhode Island and a deadly stampede at a Bronx concert could serve as model cases for Nassau County prosecutors in their criminal investigation of the Wal-Mart stampede in Valley Stream, legal observers say."

The stampede, which took place on "Black Friday," resulted in the death of a temporary worker who was trampled by customers looking for a good deal on Christmas presents the day after Thanksgiving.

According to *Newsday*, "The owners of the Rhode Island nightclub - where in 2003 pyrotechnics lit during a concert by the band Great White sparked a fire that killed 100 people - pleaded no contest to charges of involuntary manslaughter. In the Bronx case, criminal charges were considered but never filed against promoters of a 1991 AIDS benefit concert at City College where nine people died in a stampede after too many tickets had been sold, according to investigators.

"The difference, legal experts say, is whether the company could have foreseen the potential for disaster..."

- Published reports say that Walmart, as part of its plan to build 2,000 new in-store medical clinics over the next few years, plans to roll out a digital signage network that will provide shoppers with medical information, news and other content while they are shopping the clinics.

The Balance Sheet

- Stater Bros. announced yesterday that its fiscal 2008 sales were \$3.74 billion, up 1.8 percent over the previous fiscal year, with annual net income of \$40.6 million.

Q4 sales at Stater Bros. were \$940.2 million, compared to \$993.8 million during the same period a year ago. Q4 net income was \$7.2 million, compared to \$10.4 million during the same period a year ago.

- Rite Aid said yesterday that its third quarter sales fell to \$6.47 billion from \$6.5 billion, on same-store sales that were up 1.4 percent. Q3 losses were \$243.1 million, compared to a loss of \$84.8 million during the same period a year ago.

- Unified Grocers announced net annual sales of \$4.105 billion for the just-completed fiscal year, up 31 percent from \$3.133 billion during the same period a year ago. Net earnings were \$17.4 million for the 2008 period, as compared to \$14.4 million for the 2007 period, a 20.6 percent increase.

- The Penn Traffic Company reported that its third quarter revenues were \$287.3 million in the third quarter of fiscal 2009, compared to \$298.7 million during the same period a year ago; same store sales were down 0.8 percent for the period. The company suffered a Q3 net loss of \$5.6 million, compared to a \$9.6 million loss during a the same period last year.



Executive Suite

- Sara Lee Corp. announced yesterday the retirement of its CFO, L.M. "Theo" de Kool, effective June 2009. A search has been launched for his successor.
- Supervalu announced that it has named Robert V. Johnson, the former vice president of investor relations at JC Penney Corp., as its new vice president – investor relations.
- Pilgrim's Pride announced that Clint Rivers, its president/CEO, and Robert Wright, its COO, have resigned from the company as part of its ongoing bankruptcy process.

Don Jackson, formerly president of Foster Farms, is scheduled to take over as president/CEO, pending approval from the bankruptcy court that is overseeing its affairs.

- BJ's Wholesale Club named its president/COO, Laura Sen, to serve as CEO, succeeding Herb Zarkin, who will continue to serve as chairman. Zarkin, the long-serving chairman of the company, had taken over as CEO in 2006 in order to revive the company's stock price.
- Belgium-based Delhaize Group announced that Stéfán Descheemaeker, a former executive at InBev, will join the Company on January 5, 2009 as its new Chief Financial Officer.
- The *Atlanta Business Chronicle* reports that CEO Muhtar Kent is slated to become chairman of the company, as the current chairman, Neville Isdell, confirmed that he will not stand for re-election at the April 2009 board meeting.