



**-Week Ending 12/25/09-**

*Below is the list of articles you will find for the week ending 12/25/09 edition of Retail Industry News.*

- ▶ **Whole Foods CEO Looks Backward, Forward**
- ▶ **Sansolo Speaks: Small Things Loom Large**
- ▶ **Giant Eagle Strikes Deal To Develop In-Store Medical Clinics**
- ▶ **The "Rare Characteristics" Of Successful Retailers**
- ▶ **Festival Foods Looks to Enhance Food Business**
- ▶ **FastNewsBeat**
- ▶ **The MNB Wal-Mart Watch**
- ▶ **The Balance Sheet**



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

## **Whole Foods CEO Looks Backward, Forward**

Good interview with Whole Foods CEO John Mackey in the *Austin American-Statesman*. Excerpts:

*The past year...* "It was the worst economic environment that I've experienced in my lifetime, at least since I became an adult. Perhaps that downturn in the early '70s was pretty bad, but I was in college then, so it didn't really register with me.

"We had negative same-store sales for the year. That was the first negative same store sales in our 31-year history. We had been used to having high-single-digit, low-double-digit (same-store sales), really since the company was founded.

In a lot of ways, our business model has been built upon continuous growth. We sort of adapted everything around that strategy, so it was a major shift.

"If you're growing very rapidly, it doesn't matter if you make mistakes, in a way, because the growth kind of bails you out. And so having that hot water faucet turned off, we have to learn to live and take cold showers, you might say. I'm really proud of our company, because we were able to make a fairly rapid adaptation to that environment, and even though we had almost no sales growth for the company, we still managed to increase our EBIDTA (earnings before interest, taxes, depreciation and amortization, a key measure of financial performance). I think we were up 16 percent, 16.3 percent for the year, despite the weak sales growth. And we slowed our growth down: We were going to open 25 to 30 stores, and we opened 15 stores.

"So I'm really proud of how well our company responded because it's not that easy to shift 31 years of continuous growth and all of a sudden have to be watching every penny and managing our expenses and our capital so carefully."

*On competition...* "We have more competition today than we've ever had before. And a lot of that competition takes the form of competing on the basis of price. So in some ways, we're responding to the competitive reality that we face.

"For most of our history, we didn't have any competitors that were selling the same foods we were selling. Now we do ... we went from flying under the radar to everything we do seems to be broadcast in a larger-than-life sense."

*The future...* "Right now, the thing I'm most excited about is there is so much scientific evidence right now that's linking a Whole Foods, plant-based, nutrient-dense, low-fat diet as a way to prevent most of the diseases that are killing us in America: obesity, heart disease, diabetes, cancer, autoimmune diseases. Things that I sort of knew intuitively when we started the





company.

"I felt like if you ate natural and whole foods, that was a smart thing to do, you'd probably live longer. Now the science is really starting to back it up.

"And yet even though the science is there, there are so many vested interests that are committed to the status quo, the way people eat. So what I'm most excited about is the educational efforts we're going to be putting in and the research that Whole Foods is going to be funding, to more widely publicize the science and to prove that you can lose weight, keep it off and the diseases that are killing people, you don't need to get those diseases."

## ***Sansolo Speaks: Small Things Loom Large***

***by Michael Sansolo***

Life has a way of handing you lessons. While shoveling 24 inches of snow off my driveway this weekend, I had plenty of time to contemplate the importance of preparation. Had I taken maybe five minutes in November to check if my snow thrower were actually working, I might have enjoyed this weekend a lot more.

But I didn't, and shoveling was my penalty.

I'm betting I'm not the only one who makes mistakes like that. Especially in business, we all too often forget one of the great lessons from the Bible: that Noah built the ark before it started raining. No doubt, I would have missed out on that too, but then again Noah didn't have the NFL on HDTV.

So as I moped my way through the snow it got me thinking about the small things that trip us up. I could reflect on the great experiences I had in the past year because of a small kindness provided by a single individual or, sadly in greater number, the headaches caused by those who found a way to make things harder.

And that got me thinking about George Bailey. You no doubt know by now that Kevin Coupe and I just released a new book on the lessons easily gleaned from movies. (If you haven't, trust me: there's an ad for "THE BIG PICTURE: Essential Business Lessons from the Movies" below.) The reason those lessons strike us as working so well is that stories or narratives simply help us say things better. Consider how easy it was to relate to the point on Noah up above.

George Bailey tells us a great story. If you don't get the reference, George is the main character of *It's a Wonderful Life*, the timeless Christmas classic, directed by Frank Capra, about a man who discovers the value of his own life by seeing what the world would have been like without him. (To be honest, this isn't my favorite seasonal movie. I can watch hours of Ralphie trying to get his BB gun in *A Christmas Story*, but one viewing of George Bailey is more than enough for me every few years.)

But the scene from *It's a Wonderful Life* that gets me is this: It's when George sees his brother's tombstone in a cemetery and says that just can't be. His brother, Harry, has to live because he wins the Congressional Medal of Honor in World War II for a daring aerial attack that saves troops on a transport ship. But because George wasn't there to save Harry from drowning in childhood, Harry wasn't in that plane and all the men on the transport died. One life impacts many, many others.

In short, everything we do - good and bad - has consequence; it's just that often times we don't know it and unlike George Bailey, we won't ever get the chance.

So as we close the door on 2009, a year destined to be remembered for tough times, slow sales and dwindling profits, keep George Bailey in mind. Keep in mind that small steps and small gestures may be even more important this year to associates, customers, family and whoever else. Those small steps, especially taken proactively, could mean the difference between success and failure next year.

So have a great holiday no matter what you celebrate. And let's hope the New Year brings improvement in everything we do.

Oh, and if you know how to fix a snow thrower ... Give me a shout. Quick!



Michael Sansolo can be reached via email at [msansolo@morningnewsbeat.com](mailto: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](#).

## Giant Eagle Strikes Deal To Develop In-Store Medical Clinics

The *Beacon Journal* reports that Giant Eagle has made a deal with Akron, Ohio-based Summa Health System to operate walk-in medical clinics inside its supermarkets in Wadsworth and Stow, Ohio, and with University Hospitals to run clinics in its Cleveland stores.

The clinics are expected to begin opening early next year.

## The "Rare Characteristics" Of Successful Retailers

As part of its end-of-the-year issue, *Newsweek* features an interview with e-tailing pioneer Jeff Bezos, CEO and founder of Amazon.com. Some excerpts:

*On why Amazon is successful...* "We start with the customer and we work backward. We learn whatever skills we need to service the customer. We build whatever technology we need to service the customer. The second thing is, we are inventors, so you won't see us focusing on 'me too' areas. We like to go down unexplored alleys and see what's at the end. Sometimes they're dead ends. Sometimes they open up into broad avenues and we find something really exciting.

"And then the third thing is, we're willing to be long-term-oriented, which I think is one of the rarest characteristics. If you look at the corporate world, a genuine focus on the long term is not that common. But a lot of the most important things we've done have taken a long time."

*On working backwards from customer needs...* "There are two ways that companies can extend what they're doing. One is they can take an inventory of their skills and competencies, and then they can say, 'OK, with this set of skills and competencies, what else can we do?' And that's a very useful technique that all companies should use.

"But there's a second method, which takes a longer-term orientation. It is to say, rather than ask what are we good at and what else can we do with that skill, you ask, who are our customers? What do they need? And then you say we're going to give that to them regardless of whether we currently have the skills to do so, and we will learn those skills no matter how long it takes.

"Kindle is a great example of that. It's been on the market for two years, but we worked on it for three years in earnest before that. We talked about it for a year before that. We had to go hire people to build a hardware-engineering team to build the device. We had to acquire new skills. There's a tendency, I think, for executives to think that the right course of action is to stick to the knitting - stick with what you're good at. That may be a generally good rule, but the problem is the world changes out from under you if you're not constantly adding to your skill set."

## Festival Foods Looks to Enhance Food Business

The *Green Bay Press Gazette* reports that Festival Foods will spend \$1 million to renovate the Apple Creek Inn, the banquet facility and catering business in northeastern Wisconsin that it acquired earlier this year.

The goal, according to Mark Skogen, Festival's president/CEO, is to centralize some of the company's catering business and alleviate the pressure on individual deli departments. "On Friday, for example," the *Press Gazette* writes, "Festival and Apple Creek employees were assembling 700 cheese baskets in one of Apple Creek's banquet rooms for a customer in Oshkosh. The assembly line operation would have been difficult to manage in the grocery store and the volume could have overwhelmed a single deli department."



## FastNewsBeat

- The *San Jose Business Journal* reports that Phoenix-based Sprouts Farmers Market plans to open its first Northern California store, in a former Circuit City store in Sunnyvale.
- TreeHouse Foods Inc. said yesterday that it will acquire Sturm Foods, which manufactures hot cereals and powdered soft drink mixes, for \$660 million.
- Costco Wholesale said yesterday that its president/CEO, Jim Sinegal, got a 28 percent total compensation cut during 2009 - his \$350,000 annual salary was unchanged, his bonus was cut six percent to \$75,000, and his returns on deferred compensation and stock options accounted for most of the compensation cuts.
- The *New Mexico Business Weekly* reports that Sunflower Farmers Market will open its second Santa Fe store on January 13.

"We are eager to further expand our 'Serious Food at Silly Prices' grocery store concept in Santa Fe," Sunflower founder and CEO Mike Gilliland tells the paper. "We bring a high-quality, affordable grocery option to residents, offering a superior way to grocery shop, especially during tough economic times."

According to the story, the 27-store Sunflower "recently announced it received \$35 million in incremental financing that will be used directly for growth in existing markets in Arizona, Colorado, Utah, Nevada, Texas and New Mexico. Officials say they want to have more than 50 stores in the U.S. by 2013."

## The MNB Wal-Mart Watch

- The *New York Times* over the weekend reported that "Wal-Mart officials are offering to rent space in the lobby of a new Chicago store to neighborhood businesses. Wal-Mart's tenants already include a dog groomer at a store in north suburban Zion and an Uncle Remus fried chicken outlet in its only Chicago store, on the West Side.

"The company is promising to expand that practice at a proposed South Side location, inviting aldermen and other leaders to recommend barbers, manicurists, banks, fast-food chains and other businesses that would give the store some local flavor."

The moves by Walmart are part of its broader effort to get divergent Chicago constituencies to agree to allow it to open more stores within the city limits.

- *Dow Jones* reports that Walmart has committed to "boost its investments in Brazil by some 40% in 2010 as it seeks to take advantage of robust growth prospects for Latin America's largest economy, a top company executive said Monday." This means the company will spend more than a billion dollars (US) there in 2010 - the biggest investment it is making anywhere in the world other than the US. - and open more than 100 stores, increasing its fleet there by about 25 percent.

## The Balance Sheet

- Stater Bros. Markets reports that its annual sales for the just completed fiscal year were \$3.77 billion, up 0.7 percent from the previous fiscal year. Net income was down 14 percent from last year, going from \$40.6 million to \$34.8 million.

Q4 sales were \$947.2 million, up from \$940.2 million for the same period of 2008, with earnings of \$5 million, down from \$7.2 million in last year's fourth quarter.

Chairman Jack Brown said that financial results were impacted by an ongoing price war in Southern California, which forced additional discounts; he also noted that the company had managed, even in tough times, to grow its customer base from 1.25 million customer visits in 2008 to 1.29 million in 2009. "Survival is a victory too," Brown said in an analysts conference call.