



-Week Ending 12/26/08-

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Thanks to MNB
for this selection of
articles.

Penn Traffic Sells Wholesale Business To C&S

Newsday reports that Penn Traffic is selling its wholesale business to C&S Wholesale Grocers for \$43 million. According to the story, "the all-cash transaction ... includes the sale of about \$13 million in accounts receivable to C&S (and) is expected to close by the end of the year. The wholesale operation supplies more than 120 independent supermarkets in New York and Pennsylvania, accounting for \$210 million, or about 20 percent, of Penn Traffic's revenues in fiscal 2008."

The deal will leave financially troubled Penn Traffic with a core business of 91 retail stores, and in a better economic position to focus on that business.

Walmart Looks To Buy Chile's Biggest Supermarket Chain

The *New York Times* reports that Walmart is looking to acquire D&S, Chile's largest supermarket chain, which would give it a chance "to gain a major foothold in one of Latin America's most competitive retail markets."

A formal offer is expected to be made in 10 days.

Sansolo Speaks: Who Knows?

by Michael Sansolo

It's hard to imagine many people looking back on 2008 with nostalgia. More likely, most of us will be fighting over who gets to slam the door on this year. It was, after all, a year of problems that never seemed to end.

We watched tidal wave after tidal wave of issues this year. We went through a period of skyrocketing oil prices and ripple aftershocks in food prices caused by higher costs for transportation and in many key ingredients. We demonized ethanol as the political campaign moved through the farm states, only to have the year finish with plummeting oil prices, supply concerns from OPEC and the specter of deflation on some products.

And that was the good news.





If you want to capture the year in one image do a Google search on the Dow Jones Industrial Average and examine the entire year's movement in a single chart on your computer. There you will see in clear graphics how Jan. 2, 2008, was clearly the high water mark of the year when the Dow was sitting nicely above 13,000.

Worse yet, you see that despite all the hand wringing that dominated the news through the summer, the Dow still finished trading above 11,000 on Sept. 26th. Two weeks later, on Oct. 10th, it dropped to 8,400.

It happened that fast.

Or did it. One of my favorite quotes comes from *The Sun Also Rises* in which one of Hemmingway's characters is asked how he went bankrupt. He replies, "Two ways. Gradually and then suddenly."

That's how change usually happens.

Yes, those two weeks this fall were awful, but it was what happened over the years in the financial community that made the stunning collapse possible. Similarly, what happened to the automotive companies didn't happen overnight, it took years of missteps, quality problems and poorly designed cars. And the shattered trust many of us now have in collected institutions didn't happen overnight either. It took loads of time.

Kevin is fond of reminding us repeatedly in *MNB* that trust, once lost, doesn't return easily. He's right.

So ask yourself, where does the shopper put his or her trust in you and how are you going to avoid violating it? How are you going to work to be more efficient than ever so that prices, now in the spotlight like never before, are as good as possible? How are you going to make sure that the critical elements of trust, such as quality, consistency and safety aren't violated, despite the tough times? How are you going to provide a viable, competitive option even in the toughest of markets?

Ask yourself what you are doing every day, every week and every month to guard your reputation and the trust your shoppers put in you. Ask yourself what you are doing to avoid having problems blow up in your face both gradually and overnight.

In truth we have no idea what's coming next. We didn't see the incredible roller coaster of 2008 before it all happened and we can't possibly see what is ahead in 2009, 2010 and beyond. All we can do is try our best and somehow how for a little luck. After the year we had this year, I think we deserve it.

Happy New Year everyone.

Michael Sansolo can be reached via email at msansolo@morningnewsbeat.com.

Bond Stirred, Not Shaken By UK Economic Climate

In the UK, the *Telegraph* has an interview with Andy Bond, CEO of Walmart's Asda Group, who, according to the story, "believes that the economic slowdown has transformed consumers and brought an abrupt end to the era of conspicuous consumption. People will no longer overpay on food, no matter what their income or social class. 'There has been a fundamental shift that will see the emergence of a new breed of consumer,' says Mr. Bond."

Bond says that, in the 15 years since he joined Asda, he has never seen the economy in such bad shape. "We probably haven't seen an economic situation like this in our lifetime," he tells the *Telegraph*. "We are going into a very tough time. I am very concerned about unemployment ... The decline has happened pretty quickly so getting your arms around that has been a challenge. Retail is about selling stuff but there are a lot of other risks associated with that now, such as the risks of suppliers going bust."

If there is good news for Asda, the paper says, it is that "somehow Asda fits with the new classless economic climate."



FastNewsBeat

- *Marketing Daily* reports that US consumption of seafood is dropping, in part because fish prices are going up but mostly because 70 percent of fish consumption in the US takes place in restaurants, and US restaurant visits are down because of the ongoing recession.
- *Reuters* reports that Cencosud, a leading Chilean retailer, has declared itself "up and ready" to compete with Walmart, which has made a \$2.7 billion offer to acquire D&S, the nation's largest supermarket chain.

The MNB Wal-Mart Watch

- *Bloomberg* reports that Walmart plans to appeal a ruling by the Quebec Labour Board, granting union certification to a store in Gatineau. According to the story, "Wal-Mart will argue in its appeal that only 63 of the Gatineau store's 194 current employees were working in the location four years ago when employees signed union cards seeking representation."

And *Bloomberg* writes, "The Wal-Mart location is among a few in the province already represented by a union. Earlier this month, a Wal-Mart store in Weyburn, Saskatchewan, also was granted union status after more than four years of legal challenges. The retailer closed a unionized tire and lubrication shop in October, citing costs tied to a labor contract imposed by the Quebec board."

The Balance Sheet

- Walgreen reports that its first fiscal quarter profit was down 10 percent to \$408 million, from \$456 million during the same period a year ago. Q1 revenue grew seven percent, to \$14.95 billion, on same-store sales that were up 1.7 percent. Walgreen blamed the profit decrease on expenses related to opening more than 200 stores during the quarter.