



*-Week Ending 1/23/09-*

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Thanks to MNB  
for this selection of  
articles.

## **Pricing Tension Between Retailers & Suppliers Offers Opportunity**

*Dow Jones* reports on increased tensions between some food retailers and manufacturers, as the retailers seek price decreases and the suppliers try to maintain recent price increases and instead offer more trade dollars, coupons and two-for-one deals.

The "negotiations highlight how retailers are looking to their vendors for help in getting lower prices for their customers, who have less money to spend amid a deepening economic crisis and growing unemployment."

The story continues, "Grocers like Supervalu and Safeway Inc. are looking to move away from promotional pricing and offer lower everyday prices to improve their price perception and to better compete with low-cost food retailers like Kroger Co. and Wal-Mart Stores Inc. The gridlock over lower prices could slow plans by those grocers to realize their new strategies, analysts say."

While most manufacturers haven't yet lowered their prices, "as the economic downturn draws out and consumers continue to feel pinched, food makers that hold on to their higher prices may lose more of the market share to private-label products, even in some categories like cereal, where market share for brand-name products remains strong."



## Delhaize Launches New Concept Store In Belgium

Delhaize Group opened a new concept store this morning in Gembloux, Belgium, that it says features an emphasis on low prices, a significantly edited grocery selection, and a high service component, and has incorporated some innovations originally developed in the US.

Among the features of the new 21,000 square foot store, according to the company:

- "Red Market offers a range of quality products that meet the customers' everyday needs (+/- 5,400 products). The focus is on food, along with personal care and household products, as well as a number of 'emergency items', such as kitchen utensils and stationery products.

"In addition to the products that meet everyday needs, Red Market offers local products (e.g. beer, snails) and 'discovery' products (new or special products). By limiting the number of brands in each product category, Red Market simplifies the selection process for its customers, so that they can complete their shopping in less time."

- "The general use of self-scanning, a new (single line) queuing system at the check-outs and extended opening hours are 3 additional features of the concept. The role of the (25) store staff primarily consists in offering customers a friendly and efficient service."

- Except for bakery, there is no in-store food production, reducing the need for high-cost labor and centralizing production in an offsite location.

- Another innovation in the fresh food, according to the company, "is the way all fresh fish, meat and poultry products are packaged. The new type of packaging guarantees optimal quality and keeps the product fresh for longer after the customer brings it home. Another innovation is the refrigerated units with closed doors in which most of the fresh products are kept. These innovations guarantee the improved freshness and protection of the products and above all result in reduced energy consumption, which benefits the environment."

The company says that "the launch of Red Market is perfectly in line with (its) strategy of continuous innovation and concept differentiation. To this end, the test project in Gembloux incorporates elements of various store concepts that Delhaize Group has recently developed and implemented across the world. Examples are the Bottom Dollar prototype that Food Lion recently opened in the US, the Hannaford concept store (US) that opened at the end of 2007, and the Lion Food discount stores launched by Alfa Beta in Greece in 2008."

The Red Store is being operated by a new Delhaize division called Smart Food Shopping, which is set up to be independent of the main corporate structure.



## Hy-Vee Rolls Out NuVal Nutrition Labeling Program

Iowa-based Hy-Vee is rolling out the NuVal nutritional rating system throughout its stores, ranking virtually every product on a scale of 1-100.

Hy-Vee CEO Ric Jurgens has been an enthusiastic proponent of the NuVal system, dating back to when it was called ONQI. The system is being trumpeted on Hy-Vee's website.

The NuVal system "summarizes the overall nutritional value of food," according to the organization's website. "It uses the Institute of Medicine's Dietary Reference Intakes (quantitative reference values for recommended intakes of nutrients) and the Dietary Guidelines For Americans (advice from the Department of Health and Human Services, HHS, and the Department of Agriculture, USDA, about how good dietary habits can promote health and reduce risk for major chronic diseases) to quantify the presence of more than 30 nutrients – including vitamins, minerals, fiber, and antioxidants; sugar, salt, trans fat, saturated fat, and cholesterol. The system also incorporates measures for the quality of protein, fat, and carbohydrates, as well as calories and omega-3 fats. The NuVal System also takes into account how these nutrients influence health based on broadly accepted, published scientific literature."

Upstate New York-based Price Chopper also announced its adoption of the program this week.

## Fortune's "Best Places To Work" Announced

*Fortune* is out with its annual list of the nation's best places to work, and among the top 100 are the following food and retailing companies:

5. Wegmans
10. Nugget Market
22. Whole Foods
24. Starbucks
32. The Container Store
53. Stew Leonard's
72. Nordstrom
81. SC Johnson & Co.
88. Publix Super Markets
99. General Mills

Number one is NetApp, an Internet company.

The premise of the list each year is that these companies treat their employees as their primary constituency, feeling that if staffers are treated well they will take better care of customers.

In the case of NetApp, the company's greatness is described thus:

"Employee enthusiasm for the legendary egalitarian culture helped catapult NetApp to No. 1 after six years on our list.

"Typical of its down-to-earth management ethos, NetApp early on ditched a travel policy a dozen pages long in favor of this maxim: 'We are a frugal company. But don't show up dog-tired to save a few bucks. Use your common sense.' Rather than business plans, many units write 'future histories,' imagining where their business will be a year or two out.



"And the benefits are tops: five paid days for volunteer work, \$11,390 adoption aid, and autism coverage -- used by 43 employees since 2006 at a cost of \$242,452. The company has gained market share during the slump, hasn't had layoffs, and has more than \$2 billion in cash on hand to help it ride out the global financial crisis."

## Ode To In-Store Marketing

*BrandWeek* delivers a paean to the benefits of in-store marketing, noting that while 21 million people watch an average episode of "Dancing With The Stars" and 35 million people watched the most recent finale of "American Idol" – enormous numbers in a fragmenting television universe – "those audiences pale when compared to the crowds that pack the aisles of the big-box retailers. Costco, Walgreens, Safeway and Kroger boast weekly shopper counts of 20 million, 30 million, 44 million and 68 million, respectively. Passing through the revolving doors of Wal-Mart locations across America each week are 150 million people."

The conclusion: it is no wonder that "shopper marketing (the in-store appeals that take the form of shelf talkers, end-aisle displays and the newest: in-store video networks) is getting more attention than ever from retailers, manufacturers and ad agencies alike. According to a study by the Grocery Manufacturers Assn. and Deloitte Consulting, the number of manufacturers and retailers that have significant shopper marketing organizations of more than 20 people has jumped from 29 percent in 2007 to 60 percent in 2008. The study also found that over the next three years, in-store marketing activity will grow at a higher rate than any other marketing tactic. A Booz & Co. survey of consumer packaged goods marketing executives found that 95 percent plan to either maintain or increase investments in retail store media."

## Sansolo Speaks: Sustainable & Profitable

by *Michael Sansolo*

Between the frosty economic climate and the ridiculously cold weather through much of the country it's hard to imagine a less exciting time to talk about the environment. Climate change seems like an awfully remote concept when the mercury is hovering at 11 degrees.

But it's a topic that demands our attention all the same. Because whether you agree or disagree with the arguments about global warming and other environmental issues you certainly believe in addressing issues that impact the bottom line. Therefore, you have no choice but to consider the environment and what you, your company, your associates and your trading partners are going to do about it. Because, if you don't, you run the risk of problems coming at you from government, your shoppers, your associates and certainly your competition.

To put it simply, if your competitor finds a way to cut costs by making changes related the environmental improvements, you are suddenly at competitive disadvantage. That is why sustainable and profitable go hand in hand and you need a plan to make it work.

An incredibly practical tool to address this issue debuted last week at the FMI Midwinter Executive Conference. The Global Coca-Cola Retailing Research Council Forum report, based on a meeting of retailers worldwide, outlines the issues, the challenges and, most importantly, offers a wealth of already implemented ideas from all corners of the globe. The report, available at <http://www.ccrcc.org> (click the "global" tab) is well worth the download.



*(In the name of transparency, I must admit that I'm not a bystander on this issue. I was a moderator at the global forum in Beijing and I helped present the report at FMI...)*

The report breaks down the topic into four pieces. The first consists of comments from global experts on climate change who detail how the changing demographics of the planet—from growing populations to the growing middle class lifestyles around the globe—are further stressing the environment, especially in developing countries that are increasingly the home of the factories for many of our products.

The three other pieces detail the agenda the industry itself may face in reducing carbon use, eliminating waste and securing a sustainable supply of food into the future. And it's there that even skeptics need to take notice.

In carbon reduction, for instance, you can learn about the steps retailers are taking to reduce their energy footprint from relatively simple measures such as shifting to compact fluorescent bulbs or as complex as designing more environmentally friendly stores and warehouses. And you can get a sense of just how much of the industry's carbon footprint comes from the production of food to gain an understanding of the importance of working with trading partners on this issue.

In the zero waste section, the old business mantra of doing more with less is laid clear. Companies show how they to address waste in all its forms—from trucks idling in parking lots to the disposal of food wastes in creative and profitable methods. And in the section on sustainable agriculture you can easily see how an industry built on the abundant supply of food has to grapple with the worldwide stress on supplies before products disappear from shelves.

In all three areas the same plan of attack is laid out: start with how to address the issue inside your company by engaging associates at all levels (and many retailers worldwide report this is an effort frequently seized with enthusiasm.) Continue by working with your supply chain to examine all the areas where together you create waste and inefficiency. And conclude by reaching out to your community and your shoppers to both educate and motivate them to make correct choices and understand the changes taking place.

Throughout the report you can hear the retailers around the world voicing their thoughts and concerns and you'll get a sense of the different perspectives of the developed and developing world. As Al Plamann of Unified Grocers said at FMI, you gain an understanding that the US industry is far from the cutting edge on this issue and needs to get working quickly.

And consider the words of Amory Lovins of the Rocky Mountain Institute: "While politicians and governments are debating the theoretical costs of getting greener, smart companies are racing to pocket the real profits today."

Kermit the Frog may have been right when he sang "it's not easy being green." But he never had to contemplate the hard price of the alternative. That's a choice you have to make.

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## Bashas' Unveils Nutrition Program

Arizona-based Bashas' Supermarkets announced that it is introducing a comprehensive nutrition program for customers called "Eat Smart," which includes nutrition tags that identify whether a food is a "healthier option," is "heart healthy," has "low sodium," is "calcium rich," has "reduced sugar" or is an "immune booster." In addition the program will provide a regular newsletter and nutritional cards with recommendations and recipes, regular monthly shopping tours, and an endcap display in every store featuring "Eat Smart" foods.

## The Upside Of The Downturn/Bailout Diet

Some call it the "downturn diet," but the *Los Angeles Times* refers to it as the "back-to-basics bailout diet" – according to the paper, "the quest for a healthful and cost-conscious diet suggests Americans will be eating more meals cooked at home, upping their produce and whole-grain intake and eschewing sodium." In other words, it won't just be choices dictated by price tags – though value will continue to be an important factor when people walk the aisles of their local supermarkets.

Joan Salge Blake, clinical assistant professor of nutrition at Boston University, tells the *Times* that "when people eat at home, they're often likely to eat more healthfully," and she cites "a number of recent food industry innovations -- pre-cooked rice in a bag, clean and chopped fresh vegetables and fruits, including the microwave-in-bag varieties -- that are facilitating the consumption of quick but nutritious meals at home."

Greg Drescher, executive director of strategic initiatives for the Culinary Institute of America in Greystone, Calif., tells the *Times* that Americans have a much more sophisticated approach to healthful eating than they did five or 10 years ago, realizing that there are no "magic bullet" foods (i.e. oats) or food types (i.e. low-fat versions of foods) and "instead embracing a more holistic approach to healthful eating, one that emphasizes variety and whole, less-processed foods."

## Giant Food To Open Pair Of C-Stores

In Pennsylvania, the *Patriot-News* reports that Carlisle-based Giant Food Stores plans to open two convenience stores with gas stations, which the company says "are sort of a natural extension of Giant's success selling gas."

The units will open in the Lancaster, Pennsylvania, region, and will offer users the ability to take advantage of the chain's popular gas rewards program.

## FastNewsBeat

- In upstate New York, the *Democrat and Chronicle* reports that Wegmans has expanded its test of self-checkout lanes to its Penfield unit ... though the company still hasn't decided whether the technology will become a permanent fixture in its stores.

- Consumers Union has called on President Barack Obama "to appoint a new FDA Commissioner as soon as possible to address peanut butter contamination and a growing list of other food safety problems."

The letter says, in part, "With only an Acting Commissioner in charge, the FDA is now adrift. Given the seriousness of the problem - people's lives are at stake – President Obama must appoint a new FDA Commissioner as soon as possible who can begin to assert strong leadership on food safety. We need quick action not just on peanut butter, but melamine in infant formula, BPA in baby bottles and canned food linings, and other critical food safety issues."



- The *Associated Press* reports that "after more than 110 years, H.J. Heinz Co. is giving the tomato top billing on its namesake ketchup and bumping the pickle from the label of one of America's most iconic brands.

"Bottles of the market-leading ketchup with the new label are shipping now and should arrive in stores this week. The image of a single, large, vine-ripened tomato is much larger than the pickle it's replacing and better reflects what's inside the bottle," according to the company.

- *Crain's Chicago Business* reports that "Kraft Foods Inc. and Procter & Gamble Co. ... have settled lawsuits alleging patent infringement on coffee containers. In a series of suits over the last two years, P&G claimed Kraft had copied packaging from P&G's Folgers Coffee. Kraft, maker of Maxwell House coffee, made counterclaims against P&G." Now, according to reports, everything has been settled amicably, efficiently and pragmatically with both sides agreeing to play well with others.

## The Balance Sheet

- Johnson & Johnson reported that its fourth quarter profit was up 14 percent to \$2.71 billion, from \$2.37 billion during the same period a year ago. Revenue fell 4.9 percent, to \$15.18 billion, from \$15.96 billion.

For the fiscal year, Johnson & Johnson's net income was up 22 percent, to \$12.95 billion, as revenue rose 4.3 percent, to \$63.75 billion.

- Belgium-based Delhaize Group said that its fourth quarter sales were up 16 percent to the equivalent of \$7.1 billion (US). The company, which generates about two-thirds of its revenue in the US, said that US same-store sales were up 2.9 percent for the quarter.

## Executive Suite

- Andrew Mann, Tesco's marketing director for planning and innovation, reportedly is leaving the company to join Sainsbury as director of customer insight and loyalty.