



-Week Ending 1/30/09-

Below is the list of articles you will find for the week ending 1/30/09 edition of Retail Industry News.

- ▶ Schnucks Begins Construction Of New Upscale Market
- ▶ Safeway Knows Way To San Jose For Small Store Format
- ▶ Stimulus Package Could Make Retailing Go From Worse To Bad
- ▶ New Walmart CEO To Increase Company's Sustainability Focus
- ▶ Sansolo Speaks: Game Changers
- ▶ Costco Sees Strapped Customers Making Different Choices
- ▶ When Generation Y Eats, Diversity & Innovation Are On The Menu
- ▶ Sweetbay COO Evaluates Competition & The Marketplace
- ▶ FastNewsBeat
- ▶ The MNB Wal-Mart Watch
- ▶ The Balance Sheet
- ▶ Executive Suite



Thanks to MNB
for this selection of
articles.

Schnucks Begins Construction Of New Upscale Market

The *St. Louis Business Journal* reports that Schnuck Markets has broken ground on a new downtown St. Louis store called "Culinaria – A Schnucks Market."

According to the story, "The store will offer a variety of products under the Culinaria brand name. The downtown Schnucks also plans to offer valet service and delivery. The location is a new urban concept store for the family-owned chain. At just over 20,000 square feet, it's less than half the size of a typical Schnucks grocery store."

Safeway Knows Way To San Jose For Small Store Format

Published reports say that Safeway plans to open the second of its "The Market" small format stores in San Jose this summer.

The unit will be 24,000 square feet in size, half the size of a standard Safeway unit but bigger than the original "The Market," in Long Beach, which is 15,000 square feet.

Stimulus Package Could Make Retailing Go From Worse To Bad

The National Retail Federation (NRF) is out with a report saying that US retailing will see a 0.5 percent drop in revenue during 2009...but that this number is dependent on an increase in consumer confidence and buying power that will boost sales in the fourth quarter of the year.

Sales are expected to fall 2.5 percent during the first quarter, and 1.1 percent in the third quarter, but then rebound with a 3.6 percent increase in the fourth quarter.

The NRF retail sales figures exclude automobile sales, gas stations and restaurants.



New Walmart CEO To Increase Company's Sustainability Focus

Reuters reports that incoming Walmart CEO Mike Duke plans to "accelerate" and "broaden" the company's sustainability initiatives, saying at a Sustainability Milestone Meeting this week, "I am very serious about it. This is not optional. It's not something of the past. This is all about the future."

Duke made the point that he expects suppliers to meet exacting environmental standards in the products they manufacture and the packaging they use. "The leaders that get ahead in Wal-Mart will be ones that demonstrate their commitment to sustainability," he said. "You won't be able, in the future, to really be viewed in the same way if you put this on the back burner."

As noted in the *Reuters* story, current Walmart CEO Lee Scott "began the retailer's environmental push in 2005, outlining plans to one day use only renewable energy and creating zero waste. The efforts have been seen as a way for Wal-Mart to improve its reputation, help the environment and cut costs.

"To that end, Wal-Mart has increased its use of solar and wind power, pushed vendors to make electronics more energy-efficient and switched to selling only concentrated laundry detergent in its U.S. stores."

In related news, *Dow Jones* reports that Walmart's Canada division plans a new environmentally themed private label program called "For The Greener Good."

According to the story, "Wal-Mart Canada spokesman Andrew Pelletier said later that the company hopes to have 200 products carrying the For the Greener Good label by the end of 2009, and that the brand will cross several categories, including consumables, hardlines, health and wellness, and apparel. CFL bulbs, household cleaners, detergents, and small appliances are a few examples of products the program will likely include, he said."

Sansolo Speaks: Game Changers

by Michael Sansolo

Every so often we get to watch the game of marketing change slightly. We see a company or organization venture out of the box and we wonder: can it work, should it work and, if so, why didn't we think of it first.

Let's be clear, this isn't about violating laws. There are rules and laws that must be obeyed and I'd passionately argue that many of the economic troubles we are in today have been caused precisely by people forgetting that right and wrong do exist. Instead, I'm talking about attacking old conventions and finding advantage where none existed before. The opportunities are all around, but are rarely obvious. Let's take three recent lessons: "American Idol," Jay Leno and Jif Peanut Butter.

It's hard to believe there could possibly be any lessons learned from television these days, but "American Idol" and Jay Leno offer two. Let's start with the former. "American Idol," for those of you who don't follow it, is the current kingpin of primetime television, if such a thing even exists. It is ratings gold and its network, Fox, knows it.

So last week, Fox decided to fight a little un-fairly. On the night ABC was debuting one of its rating giants, "Lost," Fox created a little problem: it ran "Idol" for an extra three minutes. Doing so - and doing the same for the show following Idol - meant that a chunk of the television audience unknowingly missed the first six minutes of "Lost." That's an interesting lesson in how to compete: use your best asset to keep shoppers from the competition. (By the way, the move worked and the ratings for "Lost" were hurt.)





Of course, the downside is equally simple. Viewers of both “Idol” and “Lost,” if they don't happen to own DVRs or have access to iTunes, might rebel against this heavy handed treatment, although anything like that has yet to happen. History is shown that it only works for so long – the extra minute or two add-on is a technique that has been employed by NBC for years, and right now NBC's ratings are pretty much in the basement...because it doesn't seem to be making many shows that people want to watch. So the cautionary tale works both ways.

The Jay Leno example is more complex. Leno will soon be leaving his 11:35 “Tonight Show” slot and moving to a new 10 p.m., Monday-through-Friday slot on NBC. Television critics have decried the move as a sign of NBC's inability to create new shows that can draw a primetime audience. (See the problem cited above.) In addition, Leno's show will be far less expensive to produce.

But there is another side. As we know from stores and products, changing population patterns produce changing needs. And it's very likely that aging Baby Boomers aren't staying up for an hour-long show beginning at 11:35. It is also quite likely the younger generation remaining up at that time is more likely to turn to Stephen Colbert or Leno's replacement, Conan O'Brien. But change comes with risk, as we also know from stores and products, and it's possible that Leno's move will simply make David Letterman more popular than ever. Or it might force CBS and Letterman to consider a similar move.

Taking on conventional wisdom came to our industry last week thanks to Jif Peanut Butter. No doubt, Jif was facing a huge problem over the past few weeks. The media was constantly reporting on the salmonella outbreak involving peanut butter products and while the point was made consistently that jarred peanut butter was completely safe; we know people have a tendency to miss part of the story or to misinterpret it.

So Jif bravely stepped on the third rail of food marketing and ran a simple ad proclaiming: “You Can Trust Jif.” (The website of Jif's parent company, JM Smucker, was equally direct.) In short, Jif said there is a problem, but not with our products.

Like it or not, food safety has become a constant issue and all parts of the food chain must do everything possible to ensure food quality. Various research studies have shown that the problems that come up diminish the overall public trust in our system. But that doesn't mean the issue can't be discussed.

Sure, Jif's ad could be viewed as risky, highlighting a product that is sitting in the middle of the media spotlight. It's doubly risky in that there is no way of knowing where the next food safety problem will occur. But it also could be seen as brilliant, helping consumers better understand the problem facing them and the choices they can safely make. And Jif is putting a stake in the ground saying, trust us.

Just as with “American Idol” and Leno, there is risk in acting, but there's risk in doing nothing, too. A new day calls for new tactics and new strategies, whether it's on primetime television or in the grocery aisles. Wake up; it's a new day.

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Costco Sees Strapped Customers Making Different Choices

The *Seattle Times* has a piece about how Costco is dealing with the recession, with CEO Jim Sinegal telling the paper that he expects private label sales to grow from 20 percent of the chain's business to 25 percent in the next few years.

In addition, according to the story:

- "The down economy has given Costco some opportunities for luxury-item deals, including the chance to sell prime-grade meat that used to go almost exclusively to restaurants. With people eating out less often, said Sinegal, 'there are not as many steaks being sold in restaurants, and we're selling them'."
- "The number of television sets sold at Costco is up more than 50 percent, Sinegal said, but they're priced so low that the chain has not seen a lot more money from those sales. He credits the low prices with driving those sales, but said customers also could be making different lifestyle choices. 'It could be people saying that home entertainment is more important now than ever,' Sinegal said."

When Generation Y Eats, Diversity & Innovation Are On The Menu

Interesting piece in *Marketing Daily* about a new study from the Center for Culinary Development (CCD) and Packaged Facts about how Generation Y – people born between 1980 and 2000 – eats.

Among the conclusions:

- Generation Y is "perhaps the most savvy, brand-sensitive consumer group in history."
- Generation Y has a "penchant for eating and socializing in casual, communal spaces. Gen Y's love hanging out at communal tables in bar lounges, college dining halls and other informal settings. Dining venues that offer a wide collection of foods, particularly with 'far-flung global inspiration,' are favorites."
- "Gen Y is of course wired to the max. These young people are not only hooked on socializing in communities on the Web; they see even eating as 'a deeply wired activity.' Their markedly social self-identities and need to be constantly entertained drive them to use networking technologies in food-centric ways, 'from downloading menus and placing orders to subscribing to wireless recipe and ordering information services'."
- This demographic also has a "penchant for customizing foods through adds-ons or mix-ins (the reason they love fajitas and other 'build-it-yourself' foods); their dedication to local, organic, fair trade and vegetarian/vegan foods (reflecting their belief that food choices can make a positive difference in the world at large); and their firm belief in the value of health/wellness and functional (including anti-aging) foods and beverages."

One other interesting note from the study: Generation Y is resistant to marketing messages that actually look or sound like marketing messages.



Sweetbay COO Evaluates Competition & The Marketplace

The *Tampa Tribune* carries an interview with Mike Vail, the new president/COO of Delhaize-owned Sweetbay Supermarkets. Excerpts:

On the impact of Aldi's aggressive store opening program... "They're establishing their brand in an economy that's perfectly suited for what they offer, which is low price. In terms of their impact, we're ahead of where we expected to be in terms of impacts.

"We talk about Aldi being sort of death by a thousand paper cuts. You know, one Wal-Mart can open in one of my markets and it can have a pretty big impact on two or three of my stores. But one Aldi opens and we might barely feel it. But five years from now, there might be 15 Aldis around five of my stores and together they have an impact."

On the impact of food prices... "I think like a lot of things, it feels like the manufacturers quickly tack on price increases and fuel surcharges as costs go up and as the market goes down they're slow to pull prices back down. We're seeing a slow reduction in commodity prices.

"One of the things you're seeing now is that as people trade from name-brand to store brand, the national manufacturers aren't doing the business they need to do. That helps to accelerate the decrease in costs, as they get their costs in line so that customers come back to the national brands."

FastNewsBeat

- Supervalu-owned Bristol Farms has announced that it will close its Mission Viejo, California, store, one of two units that it has been operating in Orange County. The store has been identified as under-performing.
- Harris Teeter reportedly plans to spend \$101 million to build a new distribution center in King George County, Virginia, which will be used to help enable the chain's expansion north from the Carolinas into Virginia, Maryland, Delaware and Washington, DC.
- Supervalu announced yesterday that as a cost-cutting measure, it will eliminate about 90 corporate headquarters jobs, and will leave another 60 positions unfilled.
- C-store chain 7-Eleven has opened a new 130,000 square foot state of the art commissary on Long Island, New York, which it will use to service 674 stores in New York, New Jersey and Pennsylvania.
- The *Financial Times* reports that Kmart and Sears have begun an experiment that uses drive-up windows to allow shoppers to order online and then pick up their purchases without leaving their cars.

In addition, *FT* writes, "Kmart is testing a new web service, MyGofer.com, that will allow customers to order a wider range of items for in-store pick-up than are currently available on its regular website, including milk, eggs, fresh food basics, and low cost items such as detergent, mascara and toothpaste. Orders placed before noon can be picked up at a local store on the same day, allowing shoppers to collect goods on their way home from work."

- *Promo* reports that Walmart's Sam's Club division is offering new members who sign up by February 1 a \$10 gift card that at least partially offsets the \$40 membership fee.



The MNB Wal-Mart Watch

- Interesting note from the *Financial Times* about Walmart's commitment to "e-commerce enabled stores." According to the story, Eduardo Castro Wright, head of Wal-Mart USA, has said that "smaller, 'high-efficiency' stores the retailer is developing will include a 'very large' commitment to its pick-up service and is expected to include a drive-through area for online orders.

The Balance Sheet

- Ruddick Corp. said that its total first quarter sales were up 1.9 percent to \$995 million, from \$977 million during the same period a year ago. The company's Harris Teeter supermarket chain saw its sales increase by 3.6 percent to \$928.9 million in the first quarter of fiscal 2009, compared to sales of \$896.6 million in the first quarter of fiscal 2008, though same-store sales were off 2.12 percent for the quarter. Operating profit at Harris Teeter in the first quarter of fiscal 2009 increased by 0.2% to \$44.3 million.
- Amazon.com yesterday announced that its fourth quarter net income rose nine percent to \$225 million, from \$207 million a year earlier. Revenue rose 18 percent to \$6.7 billion.

Executive Suite

- Tesco announced that it has named Laurie McIlwee, its distribution director, to be its new finance director, succeeding Andrew Higginson, who has become the company's chief executive of retailing services.
- Walgreen Co. has named Gregory D. Wasson, its president/COO, as its new CEO, succeeding Jeffrey Rein, who left the company under pressure last October. Alan McNally, who has been serving as chairman and acting CEO since October, remains as chairman, but there are no plans to name a new COO.