



-Week Ending 2/13/09-

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Thanks to MNB
for this selection of
articles.

Walmart Health Care Approach Said To Offer National Model

The *Washington Post* reports this morning in a page one story that Walmart, "once vilified for its stingy health benefits ... has become an unlikely leader in the effort to provide affordable care without bankrupting employers, their workers or taxpayers in the process. From its headquarters in Bentonville, Ark., the retailer is doing in the real world what many in Washington are only beginning to talk about.

"At a time when other firms are scaling back or eliminating health coverage, Wal-Mart has made a serious dent in the problem of the uninsured. New figures being released today show that 5.5 percent of its employees now lack health insurance, compared with a nationwide rate of 18 percent. The company has also put into practice many of the innovations that experts say will lead to higher-quality, more efficient care. Using its high-tech marketing savvy, Wal-Mart has introduced digital records, partnered with prestigious organizations such as the Mayo Clinic, and begun targeting costly health problems such as obesity and premature births."

According to the story, while Walmart's approach isn't as extensive as some of the solutions being considered by the Obama administration, the company has been emphasizing both prevention and employee choice in developing a new health care model. There's no question that many of its innovations were driven by bottom line considerations – its poor image in the health care area as hurting sales and driving down its stock price.

Sansolo Speaks: Take a Sad Song...

by Michael Sansolo

There's a small scene in the hilarious movie "Young Frankenstein" that pretty well describes events in our country lately. In this scene, Dr. Frankenstein (pronounced "Fronkunstein") and his assistant, Igor (pronounced "Eye-gor"), are digging up a dead body that they hope to bring back to life. Knee deep in the mud, Gene Wilder (Frankenstein) comments on the misery of the job. Marty Feldman (Igor) responds: "It could be worse."

When Wilder asks how, Feldman says, "It could be raining." Instantly we hear a crack of thunder and, of course, the rain comes down.

It feels like that when I read/watch the news these days. Just as I think "could it be worse?" it is worse. And it makes no difference what part of the news I consider: world news, domestic, political, business, religion...it just starts raining. (Oh, and thank you Michael Phelps and Alex Rodriguez for removing the fantasy that sports could be an escape.)





It can and does get worse and it isn't likely to stop soon. One troubling aspect of this: with every bad actor on the scene from Bernie Madoff to John Thain, with every corporate misstep from Wall Street to Wells Fargo, the debate becomes less reasoned and the broad brush of bad behavior grows wider. (I'd argue that corporate jets and recognition meetings can both be cost effective and positive, but don't expect to hear that argument supported widely at the moment.)

The reason the food industry has to fear the descending mindset comes right off the front page thanks to the Peanut Corporation of America. Once again a bad actor—and I'm sorry, but it's hard to call them anything but—is defining the debate. And the entire food industry and our essential issue of trust—food safety—will now be viewed with skepticism and concern. Could it be worse?

Obviously, yes, but we don't have to let this one go without a fight. The entire food industry needs to fight this aisle by aisle, giving the shopper every possible assurance of the importance we put on their safety. We need more statements like the ones from Jif and now Peter Pan, putting our reputations on the line and talking to shoppers about how we support food safety.

And we certainly need to provide clear and immediate instructions to staff throughout the industry that this is no time for cutting corners or taking chances. We've talked for years about all the work poured into food safety training. Now is the time to make certain every element is working.

The food industry cannot fix poor governmental oversight or conflicting jurisdictional disputes between the Food and Drug Administration and the Department of Agriculture. We can keep fighting for improvement in that area, but that fix remains beyond our control. What we can control is what we must control. And we need to make sure our shoppers know it.

We know someone will ask: could it be worse?

We have to make certain the answer is an emphatic NO!

...And Make it Better

Some anniversaries simply don't get enough attention, so I have to branch out in a very different direction. Forty-five years ago yesterday, the world as we knew it changed. On Feb. 9, 1964, The Beatles performed live in the US for the first time: on the "Ed Sullivan Show."

If you aren't old enough to remember this incredible moment, you have to understand that Ed Sullivan was the king of entertainment television and that The Beatles, established in Europe but largely unknown here, exploded with a force that remade music and culture in ways we still feel.

Here's a part of the story I didn't know. Sullivan, who was in his 60s at the time, found out about The Beatles while in a British airport. He ran into a pack of crazed fans awaiting the band's arrival and asked what was going on. Almost instantly he booked them to a three-show deal.

Think about that. A 63-year-old man catching a flight in London sees the stirring of what would become the biggest revolution in popular music and takes a chance. Makes you wonder what might wait around the corner for all of us, if only we look.



Walmart Hopes To Expand In Chicago, Propelled By Recession

The *Chicago Tribune* reports that Walmart is hoping that the recessionary environment may make Chicago officials more amenable to the notion of the company expanding aggressively there.

According to the story, "John Bisio, a Wal-Mart spokesman, said Friday that the company is assessing the political and financial viability of expanding in the city. Bisio declined to say how many stores or which locations were being considered but that conversations with aldermen have focused on 'food deserts,' neighborhoods lacking grocery stores. □ □

The *Chicago Sun-Times* gets a little more specific: "Wal-Mart is scouting 12 properties in Chicago's 'food desert' neighborhoods for new stores that sell groceries, a Wal-Mart spokesman said Friday. About 500,000 Chicagoans live in food deserts with no easy access to mainstream grocery stores."

There is only one Walmart supercenter within the city limits, as organized labor has succeeded to creating a hostile environment for the retailer there. In September 2006, Mayor Richard Daley vetoed a so-called big-box ordinance that would have mandated by the end of the decade a \$10 minimum wage and \$3 per hour in minimum health care benefits for employees of stores larger than 90,000 square feet and with total company sales of more than \$1 billion – an ordinance clearly targeted at Walmart.

Both papers report that organized labor is gearing up for another battle to keep Walmart out of Chicago.

Peapod Expands To Hoosier State

Ahold-owned Peapod said that it is expanding its online grocery service to northwest Indiana, according to stories in the *Munster Times*.

Peapod currently serves 22 US markets, including the Chicago metropolitan area. Most of the markets are on the east coast, where the service is marketed in conjunction with Ahold-owned brick-and-mortar chains Stop & Shop and Giant; in Chicago and Milwaukee – and now Indiana - customers are served by a central warehouse and the service is marketed as an independent entity.

Calorie Transparency Said To Be Helping Shoppers Without Hurting Business

Advertising Age reports on a new study by Technomic saying that the law requiring chain restaurants to post calorie information seems to have changed the way people are eating...but has not hurt restaurant chain sales, which have gone up in the lower calorie segment.

According to the story:

- About 82% said "they were changing their consumption habits because of it, by choosing lower-calorie alternatives."
- Some "86% of study participants said they were surprised by the calorie information."
- "Only one-third of study participants said they stopped going to certain restaurants as a result of the 9-month-old calorie-posting mandate for restaurants that have 15 or more locations in the city."



FastNewsBeat

- The *Dallas Business Journal* reports that HE Butt “has purchased more than 160 acres in the Central Texas city of Temple to build a 400,000-square-foot distribution center.”
 - Pro’s Ranch Market, which just last week won the first annual Thomas K. Zaucha Entrepreneurial Excellence Award at the National Grocers Association (NGA) convention, is reported to be opening a new Hispanic-themed store in Mesa, Arizona. The company already has four stores in Phoenix and one in Glendale, Arizona, as well as units in California, Texas and New Mexico.
 - Spartan Stores reportedly is embarked on a \$2.5 million remodeling of a Felpausch store in Pennifield, Michigan, converting the unit into a Family Fare unit in a process similar to those that already have taken place at Felpausch stores in Paw Paw, Marshall, Eaton Rapids, Dowagiac, Albion, Williamston.
- Spartan acquired the Felpausch chain in March 2007.
- In the UK, there are reports that as Tesco and Asda continue to fight an ongoing price war, William Morrison Supermarkets has joined the fray, cutting prices on 4,000 SKUs.
 - The *Washington Business Journal* reports that Wegmans, which currently operates 72 stores in New York, Pennsylvania, New Jersey, Virginia and Maryland, is focusing its future growth plans on the mid-Atlantic region...with plans for six new stores in the Washington, DC, area...though opening dates have not been announced or scheduled. The company currently has four stores in the area.
 - *Newsday* reports that in New York, Westchester County has levied fines totaling almost \$60,000 against 21 supermarkets accused of selling food past its expiration date. More than \$12,000 in fines were against a single Whole Foods store in White Plains, New York, which had 156 outdated items – a number that the company said was “simply unacceptable,” and that it would investigate.

The MNB Wal-Mart Watch

- Reflecting an increased desire to focus on private label, Wal-Mart has hired a new ad agency – Publicis & Hal Riney – to improve the marketing of its Great Value house brand.
 - In another story about Walmart’s plans to make a push into Chicago, this one in the *Wall Street Journal*, it is reported that “the company now sees the Windy City as a potential proving ground for urban development strategies it could later bring to other resistant markets, including New York and Los Angeles.”
- “I think people are starting to understand we can be relevant in the urban area and improve the quality of life,” John Bisio, Walmart’s Chicago director of public affairs and government relations. “The economy being what it is, the city and various aldermen have reached out to us to inquire about our desire to expand what we have.”
- The *Journal* writes that “among the locations Wal-Mart is eyeing is a site in the largely African-American South Side district of Alderman Howard B. Brookins Jr. And from Brookins comes the quote that must warm Walmart’s heart: “When we said ‘no’ to Wal-Mart, we could afford to thumb our nose at people because the city was flush with cash. Now, that bubble has burst.”



The Balance Sheet

- Unified Grocers reported first quarter sales of \$1.045 billion, down slightly compared to the \$1.052 billion generated during the same period a year ago. Q1 net earnings were \$3.9 million, down from \$6.2 million a year ago.

According to the company, the chief reason for the earnings decline was that "in the 2009 period, earnings attributable to the former Associated Grocers (Seattle) customers are now reflected in patronage dividends, as the vast majority of these customers are now members. In the 2008 period, earnings attributed to these customers were reflected in net earnings."

- Winn-Dixie Stores reports second quarter earnings of \$16.1 million, almost four times the \$4.1 million earned during the same period a year ago. Q2 revenue was nearly flat at \$2.25 billion for the quarter.
- Stater Bros. reports that its first quarter earnings were off 68 percent to \$3.5 million, on sales that were up two percent to \$959 million. Same-store sales were up 1.4 percent.

CEO Jack Brown said that the decline in profit was expected: "'Our plan is to assist our customers during these very tough economic times," Brown tells the *Los Angeles Times*, and the plan is working. By holding back on price increases, which affected our profits, we served approximately 1 million more customers in the first quarter of fiscal 2009 than in the first quarter of fiscal 2008."

- Dollar General says that its fourth quarter sales were \$2.85 billion, up 11.2 percent from a year earlier, on same-store sales that were up 9.4 percent.

Executive Suite

- Bloom Supermarkets, a division of Delhaize-owned Food Lion, has named Paul Sabattus, the former vice president of marketing at sister retailer Sweetbay Supermarkets, to the newly created position of vice president of Merchandising and Training.
- The *Sacramento Business Journal* reports that Raley's has hired Don Ball, the former vice president/CFO of IKEA North America, to be its new CFO. Ball succeeds Bill Anderson, who recently retired after 19 years.