- Retail Industry News from IRI for Week Ending 2/15/08-

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Thanks to MNB for this selection of articles.

Food Lion Lauded For Energy Efforts

Delhaize-owned Food Lion said yesterday that "of the 1,300 grocery stores recognized today by the U.S. Environmental Protection Agency (EPA) for achieving ENERGY STAR ratings in energy efficiency, Food Lion LLC owns 703. Not only is this more than half of the nation's total, it is also more than half of the chain's 1,300 stores.

According to the statement, "Commercial buildings that earn the ENERGY STAR use an average of 35 percent less energy than typical buildings and also release 35 percent less carbon dioxide (CO_2) into the atmosphere. Based on EPA calculations, each of Food Lion's ENERGY STAR stores saves as much as 86,000 kWh per year – enough to power nine American homes for an entire year. The energy savings at each store also prevent 190,920 pounds of CO_2 emissions per year, equal to removing the pollution of 19 cars or planting nearly 26 acres of trees."

ENERGY STAR was introduced by the EPA in 1992 as a voluntary, market-based partnership to reduce greenhouse gas emissions through energy efficiency.

Haggen Buys Last Remaining Larry's Market

The *Seattle Times* reports that Haggen, which operates 32 stores in the Pacific Northwest, is buying the last remaining Larry's Market, in Redmond, Washington.

The plan is to continue operating the store under the Larry's banner, according to the story, which says that "Haggen plans to remodel the store and will consider other improvements, including a possible drive-up pharmacy lane." It will be the third banner used by Haggen, which uses both the Top Food & Drug and Haggen Food & Pharmacy names.

The unit had been owned by Associated Grocers, which got the store after Larry's went into Bankruptcy in 2006.

Wal-Mart Reveals Logo For New "Marketside" Format

The *Financial Times*> reports this morning that Wal-Mart, in a trademark application, has published the logo it plans to use for the new "Marketside" small-store, food-driven format it plans to begin opening this summer in the Phoenix region. According to the *FT* story, the logo "includes the word 'marketplace' in lower case green lettering, adjacent to a stylised pile of pile of fresh food items."

Expectations are that the new "Marketside" stores will be about 15,000 square feet, about half the size of the 130 Neighborhood Market stores that Wal-Mart has opened around the country, but that never have gotten the kind of broad rollout that many expected. In the Phoenix area, at least some of the stores seem to have been located on sites that will put them in direct competition with Tesco's new Fresh & Easy small stores.

FT writes: "Wal-Mart has played down the significance of the new format, arguing that the stores represent another variation on its existing neighborhood market format. However, the stores are widely expected in the industry to reflect a new, more focused approach to developing its own private-label fresh and prepared foods, as part of a broad push by Wal-Mart to improve its performance in the grocery business."

Sansolo Speaks: Fighting Words

by Michael Sansolo

Food safety advocate Nancy Donley made a point recently that bears repeating. Donley, who lost a child to a food borne illness, says a remarkable change has happened in the food safety wars. The change is about people.

At one point, she said, consumer groups blamed industry for all the problems in food safety. Industry, in turn, blamed consumers for poor food handling at home. "We said the enemy was the industry and the industry said the enemy was the consumer. Now we agree that the enemy is the pathogen." That is why Donley is now part of Cooperating for Food Safety, a joint group of industry and consumer groups looking for solutions to food safety problems.

As Donley points out, the two sides don't agree 100% of the time, but they agree enough to make real progress.

It's an example that bears repeating, but it won't be easy.

Here's another example. Last week I wrote a column about the need for the food industry to recognize that information is becoming as important to consumer satisfaction as having the right products, the right prices and the right solutions. However, I began the column with a story about information in which I used genetically modified organisms as an example. I could have written "red" or "purple" food to make the point, but I wrote GMOs. I didn't say they were good or bad, just that there are polarized and partially informed views about them.

And immediately I got e-mails about the evils of GMOs. Well folks, that ain't the point.

Luckily, a Texas professor far more eloquent than I am actually wrote a similar article the same day for the *New York Times*. The professor, James T. McWilliams of Texas State at San Marcos, wrote about a recent news conference about cloning and food products at which a government official essentially said cloning technology was beyond questioning, which McWilliams correctly found to be a vast exaggeration. The resulting problem, he said, is that opposing groups feel necessary to match the rhetoric with pronouncements of "Frankenfoods" and such.

McWilliams' point is that instead of educating and talking about these new technologies, we instantly run to the extremes and discussion dies. He likened food technology to the most divisive issues in our society today in their ability to immediately split the opposing sides to extreme positions, which helps almost nothing.

The similarity to polarized viewpoints on food safety bears consideration. As with most issues, there is rarely an all or nothing answer. There is room for discussion, for education and possibly even for growth.

We've been down this path before and we have the results. Consider this: in the current issue of *Men's Health*, which runs interesting food stories in nearly every edition, there is an article about the hazards of eating hamburger thanks to E. coli 015:H7. Along with examining why incidents of food safety rose in the past 12 months, the article outlined steps on how to build a safer burger.

The first suggestion is about the benefits of eating irradiated foods. Here's the problem though: Because irradiation was seen as such an off-putting and divisive word, the entire technology never took off to the level possible. It only worked when innovative retailers like Wegmans took the risk to explain why irradiation made sense and used it as a way to sell ground beef, not to avoid it.

The challenge facing the industry is to recognize the very real concerns shoppers have that science may not make everything better. Shoppers have history and experience that teaches them that science can make mistakes and needs to be questioned.

So the challenge is how the industry can begin educating. A change in tone may make even the most skeptical consumers believe that their concerns matter, that their fears are real and will be respected.

Or we can just keep fighting.

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For Supervalu, Communication Has Been Key To Albertsons' Integration

The *Financial Times*> reports this morning that Supervalu has made internal communications a high priority as it integrates Albertsons' operations into its own since its acquisition of more than a thousand Albertsons stores in 2006.

Supervalu CEO Jeff Noddle tells *FT* that "the communications effort included a hotline for employees, a monthly video-conference to all staff and newsletters 'almost every other week'. Some of the material was focused around Supervalu's statement of 'core values' and how it translated into employee benefits, compensation and diversity."

Says Noddle, "I don't think Albertsons talked about those kind of things … We've taken time to explain what we're doing. We're working really hard on that. Showing them the options we had and saying this is why we did what we did."

FT writes: "Mr. Noddle says a survey of staff last summer was broadly positive - about 80 per cent said they thought the merger would benefit the consumer. But the survey, with 36,000 responses from a workforce of 190,000, also prompted the company to redouble its efforts to set out the rationale for change."

FastNewsBeat

• The *St. Louis Post-Dispatch* reports that "Aldi, the German discount grocery chain, has chosen St. Louis as the test market for a price-cutting program aimed at bringing in new customers in a weakening economy. Under the pilot program, Aldi will lower prices on more than 100 commonly purchased items at all 38 St. Louis area stores over a nine-week period … This is the first time that Aldi has launched a broad price-cutting program, and if it is successful, it will implement similar tests in other areas of the United States, the company said. The company defined success as increasing sales of the items and attracting shoppers."

• The US Environmental Protection Agency (EPA) announced that it has named Stop & Shop and Giant Food as 2007 Energy Star Leaders, recognizing the chains for green-friendly business practices.

• In the UK, Marks & Spencer said that it plans to open a new, stand-alone sandwich shop next to its Kensington High Street store in London. The move is said by the company to be a way of "extending its presence" in the neighborhood…which saw the opening of the UK's first Whole Foods store about seven months ago.

Sandwich stores are a kind of UK specialty, with perhaps the best known being Pret a Manger.

The MNB Wal-Mart Watch

• *Reuters* reports that Matt Kistler, Wal-Mart's senior vice president of sustainability, told the Clean-tech Investor Summit in Indian Wells, California, last week that Wal-Mart would be willing to pay more for longer-lasting, environmentally friendly products…and would not necessarily pass the cost onto consumers.

"Bad quality products create waste, and so having tighter standards on the social side, on the environmental side and on the quality side will reduce waste," he said. "We are even willing to pay more for products that have that … we are finding because of sustainability in some cases will more than offset the incremental costs of what we are paying for a better quality item."

The Balance Sheet

• Wal-Mart announced yesterday that its Japanese subsidiary lost the equivalent of about $196 million (US) last year, twice as much as it expected, on sales that were 1.1 percent lower than anticipated at $8.8 billion (US) and same-store sales that were off 1.2 percent from a year earlier.

Wal-Mart, which currently owns about 96 percent of Seiyu, has invested about $2.2 billion in the company since 2002.

• Stater Bros. reported Q1 sales of $943 million, up about 4.3 percent from first quarter last year. Net income was $10.8 million, up slightly from the previous year's first-quarter profit of $9.9 million.

• Weis Markets said that its fourth quarter sales increased 4.4 percent to $603.0 million compared to the same period a year ago, on same-store sales that were up 4.9 percent. Q4 net income totaled $8.6 million compared to $14.0 million in 2006.

• Unified Grocers reported that its first quarter sales were $1.05 billion, up 34.7 percent from the $781.4 million generated during the first quarter a year ago – with the majority of the increase emanating from its acquisition of Associated Grocers. Q1 net earnings were $6.17 million, up from $3.46 million a year ago.

Executive Suite

• Steve Smith, Sweetbay Supermarkets' vice president of merchandising, has been promoted to senior vice president of merchandising.