

- Retail Industry News from IRI for Week Ending 5/11/07-

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Thanks to MNB
for this selection of
articles.

Marsh, Village Pantry Businesses To Split Up

Sun Capital Partners confirmed on Friday that it plans to split its Marsh Supermarkets and Village Pantry business entities to operate on their own, with the convenience-store chain being led by former Circle K vice president of the Florida/Gulf Coast region Charles Parker.

Scott King, managing director of Sun Capital Partners, released the following statement: "We believe the concept of independent focused business units creates more value for both Marsh Supermarkets and Village Pantry, their employees, customers and suppliers. Sun Capital Partners looks forward to growing each business with distinct business strategies and initiatives, with the objective to better serve the customers of each business."

Unified Western To Acquire Associated Grocers Of Seattle

Southern California-based Unified Western Grocers has signed a letter of agreement to acquire Associated Grocers of Seattle. Terms of the deal were not disclosed, is conditional on the successful completion of due diligence, and is expected to close by the end of the third quarter. When concluded, the deal will create an entity with more than \$4 billion in annual sales.

"This transaction benefits both organizations," said Alfred A. Plamann, president/CEO of Unified Western Grocers. "Both companies are structured as cooperatives, both have a long history of successfully serving and supporting the growth of independent grocery retailers throughout the Pacific Northwest and both organizations and their shareholders can greatly benefit from the efficiencies and synergies that will result from a combination of these two companies."

John Runyan, president/CEO of Associated Grocers, said, "The changes and progress we have made in strengthening both retail and wholesale businesses will now be enhanced by bringing together the best of both companies. Combining AG's and Unified's strengths will create a very competitive grocery industry force for independents in the Western United States."

Since joining Associated almost two years ago, Runyan and his staff have been engaged in the process of evaluating the various strategic options available to the wholesaler. The company recently concluded a sale/leaseback of its headquarters and warehouse facilities as part of that process.

CEO Says No Offers Have Been Received For US Businesses

Bloomberg reports that departing Ahold CEO Anders Moberg has tried to defuse speculation that the company will merge with or be acquired by Delhaize by saying that the company plans to remain independent. Furthermore, he says, Ahold hasn't received any offers for its US businesses – except, of course, for its US Foodservice division, which has been sold to a private equity group.

"Our main objective is of course to stay independent and try to create as much shareholder value as we can that way," Moberg tells *Bloomberg*, though he concedes that the company would "consider" offers if they created more shareholder value.

Moberg says that some of the proceeds from the US Foodservice sale may be used to make an acquisition, though he declines to be specific about targets.

Finally, Moberg confirms to *Bloomberg* that when he leaves Ahold in July, he will become CEO of Majid Al Futtaim Group, a Dubai-based shopping-mall developer.

Whole Foods Launches Online Cooking Show

Whole Foods announced yesterday that it will launch a weekly online cooking show entitled "Secret Ingredient," which will be available on its website as well as on iTunes and YouTube.com. The program will feature foods that are exclusive to Whole Foods Market or are special because they meet the company's quality standards

"We hope to deliver inspiration," said Scott Simons, the new program's host. "Because we focus on only one ingredient per episode, viewers really get to know the featured item and take away practical cooking tips and recipes. Top that off with easy yet tasty meal solutions and Secret Ingredient is a home cook's treasure."

The first episode, for example, features farm-raised catfish, raised without antibiotics in a pristine, controlled environment. Using the fish, Simons delivers a recipe for Thai-inspired fish tacos.

Safeway Does Well With The Big O

The *East Bay Business Times* reports that Safeway CEO Steve Burd is saying that the company's O Organics private label line generated sales of \$162 million last year.

The line consists of 200 SKUs, and Burd says that the company is happy with the performance of the products.

Farmer Jack To Close All Its Distribution Centers

The *Detroit Free Press* this morning reports that the Great Atlantic & Pacific Tea Co. (A&P) will close all of the Detroit-area warehouses that serve its 66 Farmer Jack stores there, effective June 15.

A&P is in the process of trying to sell the Farmer Jack chain, either whole or piecemeal. The company reportedly has had trouble finding a buyer at what it deems an appropriate price because four out of ten of its stores are unprofitable, and the rest of them are only marginally so.

Publix Plans Four GreenWise Stores

The *Palm Beach Post* reports that Publix plans to build Publix GreenWise markets in Palm Beach and Boca Raton, expanding the concept from being just a section of traditional Publix stores to a format all its own. These will be the first two GreenWise stores, and Publix says that they will carry both the GreenWise private label organic and natural products, but also national and regional brands.

Two other GreenWise stores are expected to be built in Vero Beach and Tampa.

The stores are positioned as being competitive to Whole Foods, but at better prices.

FastNewsBeat

- Price Chopper, in Schenectady, NY, announced the addition of more than 1,000 new natural and organic items to what it called "an already substantial array of lifestyle products in the chain's 115 stores in six Northeastern states." The chain is integrating its better-for-you alternatives in almost every category across the store and supporting the expansion with aggressive promotional pricing, advertising, marketing and consumer-friendly educational outreach. A bright new yellow and evergreen signage package will highlight the greatly expanded natural and organic variety throughout the store.

- The *Pittsburgh Post-Gazette* reports on a new store format being operated by Giant Eagle, called Giant Eagle Express: "The new place is 14,000 streamlined square feet packed with produce, a deli, a drive-thru pharmacy, a free Wi-Fi cafe, a DVD rental machine, a prepared foods area with heat-and-serve meals and a bakery that can handle birthday cakes.

"Express customers also can sign up to receive text messages on their cell phones alerting them to dinner specials. Eventually, they might get alerts when fuel prices change at the GetGo gas station out front...The in-between size of this "new" concept will likely seem familiar to anyone who did any grocery shopping before the era of the mega store. Smaller groceries used to be tucked into city neighborhoods and small towns across the country. Many closed when bigger grocers -- that now would be considered mid-sized -- moved in, only to be dwarfed in turn when even bigger supermarkets and supercenters became the rage."

- Published reports say that Aldi plans to open in Rhode Island with its first store there, to be located in Cranston.

- Meijer, expanding its Chicago-area presence, has opened a new, 210,000-square-foot store in Oswego, Illinois, giving it 11 stores in the region.

The MNB Wal-Mart Watch

- *Forbes* offers a fairly pointed critique of Wal-Mart CEO Lee Scott, noting that during his tenure, “earnings have slowed, rising only 8% annually over the last two years. Last November, same-store sales growth turned negative for the first month in a decade.” In addition, the article says, the company has made some merchandising and marketing missteps, such as moving in the direction of high fashion and then having to retreat. And, even the company’s international efforts have met with mixed results: “Wal-Mart had to exit its foreign adventure in Germany last year, resulting in an \$863 million loss, and Japanese and U.K. operations are struggling.” And this doesn’t even count the lawsuits and public relations assaults that Wal-Mart has endured during Scott’s stewardship.

Ironically, *Forbes* writes, Scott “is still being paid well, earning \$60 million this decade and averaging \$8.5 million a year.” And, “Wal-Mart’s board has kept finding ways to reward Scott...In 2006, for example, the board saw fit to grant Scott \$4.4 million in a long-term incentive payout. For the last four years, Scott’s annual pat-on back bonus has added up to \$16.6 million.”

Now, Wal-Mart defends Scott’s performance and pay by saying that “last year alone sales increased \$37 billion and income from continuing operations increased by \$770 million” and that compared with other retailers and large companies, Scott actually “gets paid one of the lowest salaries as a percentage of annual revenue and net income.”

But *Forbes* doesn’t sound convinced, at least not when one considers the headline it puts on the Scott critique: *Would Sam Be Proud?*

- *Women’s Wear Daily* reports on speculation that Wal-Mart may find a way into the Northern California market – by acquiring the Gottschalks chain of department stores.

“Why Gottschalks?” *WWD* writes. “There is speculation that an acquisition of Gottschalks would give Wal-Mart immediate entry into the northern California market. Gottschalks has 38 stores in California, half of them in northern California, slightly over a quarter in Southern California and a handful are in central California. The retailer has 60 stores, with annual revenue of \$687 million. Gottschalks’ market capitalization is \$183 million, and it carries an enterprise value of \$298 million.”

Neither Wal-Mart nor Gottschalks is commenting on the rumor.

- Wal-Mart has been named one of the nation’s top 50 companies for diversity by the editors of *Diversity Inc.* magazine. According to a statement released by the company, Wal-Mart “was selected for its continued dedication to diversity, both internally and externally”...and was “recognized by the publication for significant representations of females and minorities at all levels of their organizations.”

- Wal-Mart announced that it is investing in a pilot project that will determine the feasibility of using solar power for its stores. The test will buy solar power from three solar providers and use it to provide as much as 30 percent of the power for 22 stores in California and Hawaii.

“We are taking aggressive steps towards our goal of being supplied by 100 percent renewable energy,” said Kim Saylor-Laster, vice president of energy for Wal-Mart. “The pilot project is yet another example of Wal-Mart’s commitment to making decisions that are good for business and the environment.”

- Wal-Mart announced that it has completed the conversion of its 2400 deli counters in Supercenters and Neighborhood Markets to a trans fat-free drying oil.

The Balance Sheet

- Longs Drug Stores reported that its April sales were up 3.6 percent to \$364.8 million, on same-store sales that were up just 0.2 percent.
- Rite Aid Corp. reported that its April sales were \$1.36 billion, up 2.6 percent compared to the same period a year ago. The month's same-store sales were up 2.1 percent.
- Belgium-based Delhaize reports that its Q1 profit was up 14.5 percent to the equivalent of \$151 million, even as sales dropped 0.5 percent to \$6.4 billion (US). Same-store sales in Delhaize's US operations (Hannaford, Food Lion, and Sweetbay) were up 4.1 percent.
- CVS/Caremark posted a 24 percent rise in first-quarter profit, reporting that it was \$408.9 million, compared with \$329.6 million a year earlier. Revenue jumped 32.1 percent to \$13.18 billion, on same-store sales that were up 7.5 percent.

The numbers includes sales generated by Albertsons' Osco and Sav-on drugstores that were acquired by CVS, as well as 10 days of operations at Caremark, the pharmacy benefits manager that CVS acquired on March 22.

- Stater Bros. Holdings reports second quarter profits of \$13.5 million, up from \$6.2 million a year earlier. Q2 sales rose slightly to \$866.1 million from \$863.8 million a year earlier, with same-store sales up 1.5 percent.
- The Arden Group, parent company of Gelson's Supermarkets, reports first quarter earnings of \$6.47 million, compared to \$5.2 million during the same period a year ago. Q1 sales were \$120.4 million, up from \$118.05 million. Same-store sales were up two percent.
- Costco Wholesale Corporation reported April net sales of \$4.94 billion, an increase of 12 percent from \$4.43 billion in the same four-week period last year. Same-store sales in the US were up six percent, while international same-store sales were up 10 percent.
- Whole Foods, citing high store opening costs, reported that its second quarter net income fell 11 percent to \$46 million, from \$51.8 million in the year-ago period. Revenue rose 12 percent to \$1.46 billion from \$1.31 billion. Same-store sales rose 6 percent in the period.
- Target Corp. said that its April sales fell 1.8 percent to \$3.903 billion from \$3.974 billion during the same period a year ago. Same-store sales were down 6.1 percent for the period.
- Dollar General reported that its April sales were up 0.2 percent to \$674.5 million from \$673.3 million a year earlier, while total Q1 sales climbed 5.7 percent to \$2.27 billion from \$2.15 billion. April same-store sales were down 2.4 percent, while Q1 same-store sales were up 2.4 percent.
- Dollar Tree reported Q1 total sales increased 13.8 percent to \$975 million, on same-store sales that

were up 5.8 percent.

- Family Dollar Stores reported that its April sales fell 1.6 percent to \$481.3 million from \$489.2 million for the comparable four-week period a year ago; same-store sales were down 4.9 percent.

Executive Suite

- Golub Corporation/Price Chopper Supermarkets announced that Tony Farah, formerly of Unilever, has taken the position of Vice President of Technical Services and CTO, reporting directly to Dick Bauer, Senior Vice President of Information Systems/CIO.

The company also announced that Greg Zeh, Price Chopper's Director of Accounting Systems has been promoted to the position of Vice President of Enterprise Business Systems, also reporting directly to Bauer.

- The *East Bay Business Times* reports that Brian Cornell, Safeway's chief marketing officer, has resigned from the retailer after a three-year tenure. The resignation is effective June 1, and Cornell said he will be looking for a job.

Upon Cornell's departure, and until a successor is named, the marketing organization will report directly to Steve Burd.