



-Week Ending 6/12/09-

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Thanks to MNB
for this selection of
articles.

Walmart Adds Its Own Name To Marketside Small Store Format

In Scottsdale, the *tribune* reports that Walmart's Marketside stores – a small-store convenience and fresh food-driven format that the retailer has been testing in four Arizona locations – has a new name.

They used to be called just "Marketside." But now, in an apparent bow to the conventional wisdom that the stores lacked a specific identity, they are now being called "Marketside by Walmart," and the banner uses the familiar Walmart logo to drive home the point.

Mackey On Food Trends, Food Stores & Food Passions

Good interview in *Savour* with Whole Foods CEO John Mackey, in which he addresses some of the current and future trends having an impact on the conduct of business:

Local Foods: "Over the past five years, we've more than doubled our percentage of sales coming from local foods," Mackey says. "Expanding our selection of locally grown produce has been relatively easy. The biggest challenge has been finding local animal farmers and ranchers to work with, but our meat cases are slowly starting to showcase more local and region-based options. We've recruited hundreds of regional producers over the past couple of years to produce grass-fed beef, pastured chickens, and pastured pork. And we've loaned about 2.5 million dollars to nearly 50 local producers to help them grow their businesses ... Many times, the producers come to us, but we've also created new positions in the company called 'Local Food Foragers'. These folks search for small, local producers by visiting farmers' markets, local food shows, and competitors' stores."

The Next Big Trend: "I believe it will be animal welfare ratings [on meat sold in our stores]. We've been working with animal welfare organizations and animal scientists to develop our 5-Step Animal Welfare Rating Program, which we are beginning to roll out in some stores. Our hope is that this will eventually raise consumer awareness about how most livestock animals are treated and will lead to sustainable alternatives to the current, inhumane system."

Mackey's Goal # 1: "Focus on Healthy Eating Education. It isn't enough to sell healthful, nutritious food, because people are so confused about how to eat well and they don't know how to cook. We intend to teach them both."





Other Mackey Goals: "Place a greater emphasis on foods from developing countries that are ethically sourced for high quality, environmental sustainability, and fair labor practices. ... Stock only those meat products that have the highest ratings according to our 5-Step Animal Welfare Rating Program ... Pay serious attention to sustainable seafood. This is a serious problem around the world, and it's only getting worse."

And Yet Another Mackey Goal: "Open smaller stores. We're going to open mostly smaller stores in smaller communities."

How Consumers Are Changing In Recessionary Times...

The *New York Times* features interviews with a number of retailers – including Walmart and Target – in which they assess the impact of the recession and burgeoning unemployment figures on what people are buying.

- Other than private label groceries, the growth of which has gotten significant media attention in recent months, the trends seem to be breaking this way:
- Cheaper beef cuts are more popular, and carbohydrates have been making a comeback because they tend to be less expensive than protein.
- Refrigerated and frozen pizza sales are up, as are the sales of microwave popcorn and popcorn poppers.
- Flat screen TV sales are up, while luggage sales are down. (A new television is a lot less expensive than a vacation.)
- People seem to be buying more seeds so they can plant their own gardens and feed themselves.
- Sales of items like vitamins, supplements and over-the-counter medications are on the rise, as people try to take care of themselves ... if for no other reason than people are afraid to take a day off from lest they be discovered to non-essential.

Here's an interesting one: The *Times* writes that Walmart CMO John E. Fleming says that sales of baby formula and clothing are up, but that "Walmart could tell when parents were strapped: in the first weeks of the month they buy packs of 88 diapers; by the end of the month they're buying the 40-pack. And at Sam's Club, sales of pull-ups — that intermediate step between diapers and underwear — are down, suggesting parents are moving their children directly to underwear to save money."

Sansolo Speaks: Sometimes A Napkin Is More Than A Napkin

by Michael Sansolo

Dining at a recent conference, I saw no great symbolism in placing my napkin on my lap. My friend Joy Nicholas, however, saw it very differently. She called over the server and asked if she could get a black napkin instead of the white one provided.

I had to ask why. White cloth napkins, she explained, tend to leave some color behind on dark slacks. Almost instantly, three women at the table pulled away their white napkins and agreed that Joy was correct. Apparently white napkins leave some color on women's slacks, not men's. One of the women said she didn't know the reason, but it happens and they don't like it.

It was a marvelous insight courtesy of Joy and the three other women who were now insisting on black napkins at my table. As women become an increasingly large portion of the audience at conferences and banquets, you'd think someone in the hospitality industry would have noticed Joy's issue. I have to imagine that the cost of supplying black napkins instead of white would be negligible, yet the impact would be huge.

As the wonderful Yogi Berra once said, "You can observe a lot by just watching." It is something we all need to do.





Finding those little things that make the difference between satisfying a customer or leaving them wanting is always the key to business. The problem is figuring out what those things are and making sure your focus never wavers too far from them.

We had a classic business case of attention to detail play out this week on the front pages of the *Washington Post*. Two major US companies were on the front page on successive days: General Motors for its slide into Chapter 11 (and its announcement of new plans) and Walmart for its annual meeting.

The General Motors story has elements that every business needs to study, discuss and learn from. From losing control of costs to underestimating emerging competitors to - most importantly - losing touch with core consumers, General Motors has sadly delivered us an object lesson in steps to avoid. Yet I understand how this paragon of American business is fallen into such disrepair. Years ago my father and I bought cars within months of each other. Mine was a bottom-end Toyota; his was a high-end GM product. The next car my father bought was from Toyota. My experience was that superior.

Instead of winning me as a young customer, GM lost both me and my father's loyalty at the same time. Here's hoping that their new plan and cars are good enough to turn that around.

In that light, it was coincidental and strange to see Walmart's annual meeting featured on the front page of the *Post*, with a picture of two celebrities and a Walmart executive. It's hard to imagine that Sam Walton ever imagined that day would come. Yet, today, Walmart is the paragon of American business for better or worse and the *Post* was right to recognize it. (Maybe they read Kevin's coverage of the meeting on *MNB* and decided they, too, needed to get on board.)

The question for Walmart and indeed all of its competition is, what will the future bring? Will Walmart keep its focus on cost containment, understanding emerging competitors and serving changing consumer needs? Will competitors or complacency catch up?

Want a clear sign? The following appeared in the *New York Times* coverage of Walmart CEO Mike Duke's speech. "The most popular items that families buy — groceries, health and beauty goods, pet products and baby products — will be located on the same side of the store, so customers do not have to trek from one end to another. Shelves will no longer be stacked so high, so stores will feel airier and easier to navigate."

It looks like Walmart is paying attention to black napkins. Others take notice.

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Survey: Industry Priorities Shifting As Economic Pressures Mount

CIES is out with a mid-year edition of its annual Top of Mind survey, and it suggests that retailers and manufacturers are adjusting their priorities in the face of economic pressures from the recession. According to the CIES, "This latest survey shows that corporate social responsibility (CSR) is dropping down the list of priorities for the international food business sector, as the global economic crisis calls for changes to pricing, assortment and store formats.

"The Top of Mind Survey shows 'corporate social responsibility' – including sustainable development, social standards and corporate governance – progressively falling from the industry's number one priority in January 2008 to third place in January and now fifth in June 2009 as recession bites across the world.

"By contrast, 'the retail/brand offer' – which includes pricing, assortment and format – climbed to third place, up from fifth in January. Another mover was 'consumer marketing' (such as loyalty programmes, promotions, advertising) which rose one place to rank seventh."

CIES says that "the economy and consumer demand" is ranked as number one on food industry executives' minds.



"While the fall of CSR may initially look troubling, I personally don't feel there is cause for concern," said Gareth Ackerman, chairman of South Africa's Pick 'n Pay Holdings and chairman of the CIES Summit Committee. "Between January 2008, when leaders gave it top priority, and now, retailers and manufacturers alike have completely rebuilt their business models to incorporate environmental and social sustainability into the DNA of their companies. Going forward, all business decisions must pass through the sustainability filter, or be rejected."

Food Lion Roars For Private Brands

Food Lion has launched a new promotional program that allows shoppers to earn up to \$10 in free groceries when they buy the retailer's private brands.

According to the company, customers get \$1 in coupons for the first four Food Lion Private Brand products they purchase and 25 cents back for each additional Food Lion brand product they buy – up to \$10 – during the promotion; the coupons are redeemable on customers' next grocery bill. The promotion runs through June 23.

"In today's economy, we are focused on providing the best quality and value for our customers, and purchasing private brand products is one solution," says Shavonne Clark, Food Lion's director of Private Brands for Delhaize Group – U.S.

FastNewsBeat

- The *Denver Business Journal* reports that Kroger-owned King Soopers executives and unionized employees "accused each other of not doing anything to move labor negotiations forward Tuesday, less than a week before a vote is set on a new five year contract." The union held a press conference to denounce what it called significant pension benefits cuts; management said that it had made compromises while the union was unwilling to do so.

If the vote on the new contract proposal fails, it is expected that that King Soopers employees will continue working while negotiations continue, at least for the immediate future.

- The Great Atlantic & Pacific Tea Company, Inc. (A&P) has been recognized for its "noteworthy contributions to the growth of store brand products in the retail marketplace" and named "2009 Store Brand Retailer of the Year" by *Private Label Magazine*.

In 2009, A&P expanded its private label program with 10 premium, specialty and national equivalent brands, growing private brands to more than 2,500 SKUs.

- The *Seattle Times* reports that Starbucks, having promised to sell only bakery items that do not have high fructose corn syrup (HFCS) and make its baked items healthier overall, is being sued by one of its longtime bakery suppliers. Crestone Group in San Diego says that Starbucks owes it more than \$2 million for "breaching supplier agreements."



The MNB Wal-Mart Watch

- The *Arizona republic* reports on the opening of the new Supermercado de Walmart, a Hispanic-themed supermarket opened this week in west Phoenix.

"Judging from the reactions of customers," the *Republic* writes, the new store "is a popular addition to west Phoenix.

Interviews with shoppers in the store suggest that they are happy with the prices, the Hispanic foods, the specialty meats, and the produce department in the former Walmart Neighborhood Market that has been renovated to Hispanic tastes.

The Balance Sheet

- PriceSmart, which operates membership club stores in Latin America and the Caribbean, says that its May sales increased 7.5 percent to \$102.0 million from \$94.9 million during the same period a year ago. Same-store sales were up 3.9 percent.