



*-Week Ending 6/26/09-*

*Below is the list of articles you will find for the week ending 6/26/09 edition of Retail Industry News.*

- ▶ Kroger Names Rodney McMullen As New President
- ▶ Meijer Plans "Smaller Store"
- ▶ Walmart Opens New Version Of Neighborhood Market
- ▶ Study Points to Continued Private Brand Strength
- ▶ Food Chains Focus On Center Store To Satisfy The Middle
- ▶ Sansolo Speaks: "Taking It To The Tweets"
- ▶ Brookshire Embraces Facebook, YouTube
- ▶ Kroger's Customer Focus Drives Sales, Profits
- ▶ FastNewsBeat
- ▶ The MNB Wal-Mart Watch
- ▶ The Balance Sheet
- ▶ Executive Suite



Thanks to MNB  
for this selection of  
articles.

## **Kroger Names Rodney McMullen As New President**

The Kroger Co. announced that Rodney McMullen, the company's vice chairman, has been named president of the company, succeeding Don McGeorge, who is retiring.

The election took place at Kroger's annual meeting yesterday.

McMullen began working at Kroger in 1978 as a part-time clerk; he became vice chairman in 2003.

McGeorge reportedly will remain at Kroger through the end of the year as special advisor to the CEO, and also will remain on the board of directors.

## **Meijer Plans "Smaller Store"**

The *Chicago Tribune* reports that supercenter pioneer Meijer is developing a new, smaller store format that it plans to debut in Illinois next year.

Of course, "smaller" is relative. Meijer normally operates supercenters that are 200,000 square feet, and this new format will be about half that.

If the format, which is designed to fit into locations that Meijer might ordinarily not fit into, is successful, the company says it will consider it for other markets.



## Walmart Opens New Version Of Neighborhood Market

*Arkansas Business* reports that there's a new Walmart Neighborhood Market open in the Pinnacle Hills section of Rogers, Arkansas – a 36,000 square foot store that is described as “a testing ground for some product offerings and concepts new to the Neighborhood Market brand. The layout is similar to the newest layout of some of the retailer's Supercenters, with lower shelves, wider aisles and brighter lighting.”

According to the story, the store features an “NM Café” that brews Starbucks coffee, a gelato service counter, a bakery with artisan breads, and a variety of environmentally friendly features.

The store is said to be appropriate to the local community, which is fairly up-market; it also is just a few miles away from Walmart headquarters in Bentonville. However, *Arkansas Business* notes that there have been a number of foreclosures in the area surrounding the new Neighborhood Market.

## Study Points to Continued Private Brand Strength

The Private Label Manufacturers Association (PLMA) is out with a new study that addresses the question of whether people will return to national brand buying habits when the recession ends. The results of the study:

- More than 30 percent of consumers confirm that they are now buying more store brands than a year ago.
- Nearly three fourths say that the recession is important to them in deciding whether to purchase store brands.
- Over 90 percent say that will continue buying store brands when the economy improves.

## Food Chains Focus On Center Store To Satisfy The Middle

The *Wall Street Journal* reports that “the recession-driven shift to eating at home more often is giving new life to grocery stores' most basic offerings, and upending a multiyear strategy of using coffee bars, fancy bakeries and exotic products to attract shoppers ... Kroger, Stop & Shop, Publix and other big food chains tried for years to make themselves into a one-stop destination by revamping their store perimeters to include floral shops, prepared meals and other offerings. But the recession has refocused them on the staples sold in center aisles.

“These chains are aggressively pushing private-label versions of canned vegetables, breakfast cereals and whole-wheat bread, draping center shelves with coupons and price comparisons, and bundling ingredients for homemade meals.”



## *Sansolo Speaks: "Taking It To The Tweets"*

*by Michael Sansolo*

I have never really understood Twitter. I honestly can't fathom who would care to hear my most banal thoughts spilled out in increments of 140 characters at a time. Now I think I was wrong.

We all have to consider what is happening in Iran and wonder what this means. Incredible as it may seem, web-based communication vehicles like Twitter, Flickr, Facebook and good-old web sites are fueling a revolution. There's something extraordinary in the Tweets from Tehran, where the senders are constantly aware that their protests will likely result in a beating, arrest or even death.

While it's impossible to imagine any group feeling that disenfranchised in the US, it has to make you consider what kind of power these websites could produce. On the positive side, Twitter and the like could become the ultimate connection to shoppers and associates; on the negative it could be used for organized retail theft, consumer protests and Lord knows what else.

Scoff for a second at that leap and then remind yourself of what's happening Tehran. To quote my favorite line from Star Trek, "Things are only impossible until they're not."

As we try to understand the world of 140-character messages, let's also understand its complexities. Noam Cohen wrote a brilliant piece in last Sunday's *New York Times* on six lessons of Twitter from the Iranian barricades. Businesses need to learn from them all.

The six lessons include the inability of even a totalitarian regime to control discourse. It is a certainty that you will find objectionable material on Twitter or any social networking site, so determine what your policy would be to combat the activity. Obviously, censorship doesn't work. Likewise, don't downplay the medium because of the largely silly content in most messages. We now know that things can get much more serious.

Most importantly, Cohen's article reminds us that Twitter is imperfect. It can include misleading or deceitful information. (In Iran, the ruling forces have tried to trip up the rebels with such messages and clearly have failed.) Businesses need a pro-active policy on social networking to build community in good times and to combat the wrong-headed messages that are sure to appear in times of trouble. Without the first, you cannot do the second.

And also heed Cohen's advice that Twitter can be a power force for criticism and remember that criticism won't always be targeted at a repressive regime. Sometimes business can feel the heat, granted in much calmer ways.

There were two clear reminders of this at last week's CIES World Food Business Summit. (This was the same meeting where out of hundreds of participants only five said they were even infrequent users of Twitter.) First, the discussion of the environment was chilling. Supermarkets, like it or not, play a powerful role on topics like sustainable fishing and can demonstrate leadership by creating and communicating clear rules about the products they will sell. Shoppers can't possibly demonstrate their concerns at every fishing vessel. Supermarkets are much easier to find.

Second, you cannot and should not ignore the palpable anger in Marion Nestle's speech on nutrition and labels that she sees confusing the shopper. Anger fuels protest and as we are seeing, protest spreads easily these days.



The issues demand our attention and so does the method of communication. Ignore either at your own peril.

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## Brookshire Embraces Facebook, YouTube

Brookshire Grocery Co. announced that it has begun using both Facebook and YouTube as marketing tools.

In the case of the latter, Brookshire has produced a couple of 90-second videos promoting private brand milk and yogurt as being superior in terms of taste and freshness. And, the company says, "The Facebook pages provide an opportunity for BGC to connect with customers quickly and through a medium many use daily."

## Kroger's Customer Focus Drives Sales, Profits

The *Los Angeles Times* reports that while "times are tough for neighborhood supermarkets as cost-conscious consumers defect to Wal-Mart, Costco and other discounters," Kroger "seems to be bucking that trend ... Industry analysts say Cincinnati-based Kroger's success is probably tied to its efforts to attract bargain hunters, aided by its exhaustive electronic tracking of customers' shopping patterns and a push into marketing house brands."

Much of the credit is given by Kroger CEO David Dillon to the Dunnhumby marketing system. "We send our very best customers coupon books specifically targeted at what they actually buy. The redemption rate of these coupons is significantly higher than other coupons," Dillon says.

And, he adds, "Ten years ago we paid too much attention -- almost every day -- looking at what our competition was doing. We can't ignore our competitors, but we have to pay more attention to what our customers want in our stores ... Profits are the outcome of focusing on the customer."

## FastNewsBeat

- The *Austin American-Statesman* reports that "H-E-B is on track this summer to become Austin's first grocery store and its largest retailer to use solar power ... The project includes a 2,500-square-foot solar array on the building's roof, due to be completed next month. The project will cost about \$195,000. Store officials said the array will produce about 31,000 kilowatt-hours of renewable energy yearly — a small fraction of the store's overall power usage."
- The *Wall Street Journal* reports that Best Buy plans to open 40 mobile phone stores in an effort to "quintuple its share of the US mobile phone market to 15 percent." The goal, according to the story, is to stress technology that enables connectivity...and to fight off what it sees as increased competition from Walmart and Amazon.com in this category.
- The *Chicago Tribune* reports that Walgreen plans to test diabetes treatment programs in some of its in-store health clinics, saying that Type 2 diabetes is a prime driver of the nation's high health care costs. The exact nature of the programs, and the locations where the pilot program will be offered, have not yet been disclosed.



## The MNB Wal-Mart Watch

- *Dow Jones* reports that Walmart plans to spend the equivalent of \$800 million (US) in Brazil this year, believing that the investment will position it well for an economic recovery that is expected to occur later this year.
- The *Arkansas Democrat-Gazette* reports that in its home markets, Walmart is gaining more and more grocery market share – getting “more than half the grocery dollars spent in Arkansas, Oklahoma and Mississippi and is the top grocer in the other states that border Arkansas.”

## The Balance Sheet

- *MarketWatch* reports that Supervalu is saying that its first quarter same-store sales will be down three percent and that its Q1 earnings will be “substantially below” analysts’ estimates. Full first quarter results are to be reported on July 28.

According to the story, “To drive more store traffic, Supervalu has been boosting promotional activity, such as meals that cost \$15 for families of four -- dubbed ‘415.’ It also has jacked up its investment in store-brand products, which sell for less than brand-name foods.”

- Rite Aid Corp. reported a first quarter loss of \$98.4 million, an improvement over the \$156.6 million loss reported during the same period a year ago. Revenue was down one percent to \$6.53 billion, on same-store sales that were up 0.6 percent.
- Walgreen said that its third quarter profit was off nine percent to \$522 million, from \$572 million during the same period a year ago. Revenue grew eight percent to \$16.21 billion from \$15.02 billion, on same-store sales that were up 2.8 percent.

## Executive Suite

- Walmart said yesterday that it has promoted L. Mecole “Cole” Brown, a company attorney, to be its new chief diversity officer, succeeding Charlyn Jarrells Porter, who has retired after five years in the job.
- Kraft Foods has hired W. Anthony Vernon, a former Johnson & Johnson executive, to run its US operations. *Crain’s Chicago Business* notes that Vernon joins an executive team that CEO Irene Rosenfeld “has reshuffled in her three years as CEO. She has shaken up Kraft’s insular culture by hiring executives from outside the company, such as Michael Clarke, a former Coca-Cola Co. executive heading the European business.”