



-Week Ending 8/28/09-

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**Thanks to MNB
for this selection of
articles.**

"Sin Taxes" Get Momentum In Public Consciousness

The *Los Angeles Times* reports that so-called "sin taxes" – that impose extra taxes on food products that are high in fat and low in nutrition – seem to be "catching on with the American public." The *Times* writes that a recent Kaiser Family Foundation poll showed "that 55% of respondents favored a tax on unhealthy snack foods, up from 52% in April. Support for a soda tax rose to 53% from 46%. And 63% of those who opposed the idea said they would change their minds if the revenue were used to fund healthcare reform and combat health problems related to obesity."

However, critics of the approach say that sin taxes unfairly target poor people and, in the case of junk food, aren't even significant enough to have an impact on the nation's obesity rates.

Here's the argument against it, as characterized by the *Times*:

"To make a significant dent in escalating rates of obesity, taxes would have to be steep and widespread. Two-thirds of states now impose a modest soft-drink tax -- the average rate is 5.2% -- and though the taxes are linked to a drop in body weight, the difference is extremely slight: about 3 ounces for a 5-foot-10, 279-pound person. Taxes on foods such as candy bars and microwave popcorn are even less effective, according to available data.

"There's even evidence that such taxes can have the perverse effect of increasing consumption of fatty or salty foods. There are reasons why taxes curb smoking but might have little effect on obesity. Raise the cigarette tax, and smokers can either pay up or quit. Raise the tax on sugar-sweetened colas, however, and customers can switch to sports drinks or punch, which often contain even more calories.

"Moreover, tobacco taxes apply to all products you can legally smoke. Junk-food taxes are less logical. A 5.5% snack tax in Maine, for instance, covered blueberry muffins and fresh-baked apple pies, but not English muffins or frozen pies. Tobacco taxes are also much higher than anything likely to be adopted for food and beverages. Slapping a 10% tax on a \$1.50-bottle of Coke would raise the price a mere 15 cents -- not enough to persuade most shoppers to drink Diet Coke instead. Many calorie-laden foods are simply too cheap to be priced out of the market by any but the most draconian of taxes."

And, some research suggests that if people were faced with higher costs for non-nutritious foods, they'd actually spend less money on fruits and vegetables as a way of offsetting the increased prices. And so, sin taxes might actually have the opposite





effect from what is intended.

At the same time, proponents of such an approach argue that if health care systems in the US really are broken, then it is critical to deal not just with symptoms but also the cause – which is unhealthy people putting too much stress on the health care infrastructure, leading to artificial and arbitrary cost increases.

Putting A Different Twist On The Art Of Rewarding Employees

Some supermarket chains have contests in which customers can win shopping sprees. But at California-based Save Mart Supermarkets, management is giving the idea a different spin...

One hundred and fifty employees who have been identified as having provided exceptional customer service have won shopping sprees that will allow them run through their stores and collect up to \$150 worth of groceries.

Save Mart operates the Save Mart, S-Mart Foods, Lucky, and FoodMaxx banners.

Sansolo Speaks: "The Summer of Opportunity"

by Michael Sansolo

Standing on a two-foot wide catwalk, 440 feet above the water of Sydney Harbor, there were a lot of thoughts going through my mind: "I can't believe the view." "I hope it doesn't rain." "I hope this skinny little tether holding me to the bridge works." There, at the top of the magnificent Sydney Harbor Bridge, the last thing I expected was a discussion of business.

Of course, I got one.

It came from Bernie, the Australian leading our band of 14 to the top of the bridge (on a tourist experience not to be missed if you ever venture down under.) As we moved single-file up the bridge's ladders and catwalks, Bernie explained that this sport, unlike many others, rejects competition. Climbing, even controlled climbs like the bridge, require cooperation from the entire team. The better we cooperate, the easier the climb.

Sometimes we compete; sometimes we cooperate. Knowing the difference is stunningly important, Bernie said. Although I'm not afraid of heights and felt incredibly secure even at the very top of the bridge, I saw no point in arguing. Besides, I agreed.

A number of years ago, Danny Wegman espoused a similar theory when it came to technology. As Danny put it, there are many areas where companies compete—and Danny is no stranger to that. But there are also many places where cooperation is the only way, such as deciding on technology standards that make everything from phone calls to text messages to bar codes capable of working.

But getting the reminder from Bernie in such a precarious position was extremely timely.

In so many ways, 2009 should be the year for cooperation in the midst of our pitched battles for market share. As we move through this tumultuous economic moment we need a common message preaching all the potential benefits that eating at home and smart shopping offers our stressed shopper.

We've talked before about the incredible opportunities that lie in the midst of the Great Recession. And while I know it is far easier said (or written) than done, we have to wonder if this is going to get addressed.

Shoppers are changing their definition of value in so many ways, as frugality is the fashion of the moment. The question is: can the food-at-home industry seize the chance to build sales and relationships or will we see specific retailers and



restaurants gaining chunks of market share while others sit idly? Can we begin a dialog on healthy eating and healthy choices at a time when health care dominates the news or will we watch health clubs and others take over the conversation we should be having? Can we talk about the power of mealtime to strengthen family ties at such a moment when so many are unsettled or will that remain unmentioned?

And, of course, can we use a time when young people are looking for careers to feature ours in such a way that it changes our future labor and management picture beyond recognition and for the better?

The last point was driven home last week with the annual release of Beloit College's examination of the world of the freshman class; that is, a compendium of facts that form the world of the class of 2013 that are certain to surprise many of us. For instance, this year's freshmen have always lived in a world where rap music and tattoos are in the mainstream, but the KGB never officially existed. The European Union has always been around and Dr. Seuss has always been dead.

The world they enter as college freshmen or high school graduates is the only world they know; their decisions and options are only now forming. In other words, they are a new market all about opportunity as consumers and associates.

So yes, 2009 is a great year for competition. Some cooperation wouldn't hurt either.

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FastNewsBeat

- The *St. Petersburg Times* reports that discount grocer Aldi is getting more aggressive in Florida: "With six new stores set to open by year's end in the Orlando area, the German grocer has turned its attention to filling in holes in the bay area and entering South Florida for the first time. By the time the dust settles in two years, Aldi's 26 Florida stores are planned to double, and nine Aldis in the four-county (Tampa) bay area promises to be closer to 20."

The strategy pits Aldi not just against Walmart, but also directly against Save-A-Lot, the limited assortment discount store that is owned and operated by Supervalu.

- Supervalu announced yesterday that its remodeled La Habra, California Albertsons store "has been awarded LEED (Leadership in Energy and Environmental Design) Silver established by the by the U.S. Green Building Council (USGBC) and verified by the Green Building Certification Institute (GBCI) making it the first major retail grocery store to receive such recognition for an interior remodel."

The company notes that "this 55,221 square foot format's interior energy saving measures include: water saving faucets, fixtures and sensors installed in the restrooms to reduce the amount of water by over 45%; Internet energy monitoring of refrigeration, lighting, air-conditioning and heating equipment; New carbon dioxide sensors and high grade air filters to keep air inside the store clean and fresh; (and) over 40 skylights combined with photo sensor controlled dimmable lighting on the sales floor that create a comfortable shopping experience while reducing the store's electricity usage."

- Dollar General, the Kohlberg Kravis Roberts-owned discount retailer, has filed for an initial public offering that is looking to raise \$750 million.

- The *New York Times* this morning reports that a new report by the Economic Research Service of the US Department of Agriculture (USDA) suggests that while food prices have dropped in recent months, it is expected that they could start rising again as the economy recovers. "Over all," the *Times* writes, "the Agriculture Department forecasts that prices for what it calls 'food at home,' a category that includes purchases at grocery stores, convenience stores and farmers' markets, will rise 2 to 3 percent this year.

- The *Boston Globe* this morning reports that Super 88, a local Asian supermarket chain, is being to sold to New York-based Hong Kong Supermarkets. Terms of the deal were not disclosed.



Super 88 closed three of its six stores about a year ago and despite its protestations has been the subject of much speculation about a deteriorating financial condition.

- The *Chicago Tribune* reports that Safeway-owned Dominick's "is firing a volley in what looks to be a grocery price war in the Chicago area, announcing that it's cutting prices on thousands of items.

"The price-cutting spree follows a similar move in April by Jewel, and it mirrors pricing battles across the nation as supermarket chains battle a weak economy and increasing competition from big discount food retailers, particularly Walmart."

- The *New York Times* reports that milk cartons have turned into a hot advertising medium, with various CPG companies using both the large containers in home refrigerators to the small containers that kids drink from at school to promote various products.

According to the *Times* story, "General Mills promoted Cheerios with stickers on gallon jugs, and Kraft nudged shoppers toward the snack aisle with ads for Honey Maid graham crackers. In stores in New York and other major American markets this summer, stickers appeared promoting Duncan Hines with a photo of brownies and the text: 'Cold Milk, Warm Brownies, mmmmmmm'."

- The *Chicago Tribune* reports that Supervalu-owned Jewel-Osco is partnering with Passages Hospice Care "to provide special prescription and consultation services" to critically or terminally ill patients" from 15 of its 170 in-store pharmacies in northern and central Illinois. The company could expand the program if it seems appropriate.

- Texas-based United Supermarkets announced that it is acquiring Praters Foods, a ready-to-eat meal specialist, effective immediately. Terms of the deal were not disclosed.

The MNB Wal-Mart Watch

- The *Wall Street Journal* reports that Walmart-owned Sam's Club has begun providing discount coupons to members holding Advantage and Business Plus cards, allowing the users to either download the coupons electronically or print them out at in-store kiosks – the discounts are then automatically deducted at checkout.

According to the story, "Its move comes as Sam's Club and its membership rivals are competing fiercely for new customers, who pay an annual fee to join." The coupons are seen as a way of justifying the cost of belonging to a club and reinforce the values contained therein, at a time when people are being more vigilant about virtually every purchase.

- The *Denver Business Journal* reports that Walmart is rolling out a bill-paying service in all of its stores around the country. "Customers are now able to pay bills for credit cards, utilities, phones, cable and satellite TV and auto loans, among other bills, at Walmart MoneyCenters and customer service desks," the story says.

"We're introducing Walk-in Bill Pay nationwide to provide another affordable money service option that will help families manage their monthly budgets so that they can save money and live better in these tough economic times," Jane Thompson, president of Walmart Financial Services, said in a statement.

- In Arkansas, The *Morning News* reports on a presentation by Andrea Thomas, Walmart's senior vice president of private label brands, in which she said that the company is about three-quarters of the way through its private brand redesign program.

Thomas told a Chamber of Commerce meeting in Rogers, Arkansas, that "The Wal-Mart Great Value brand is the largest consumer packaged goods brand in the United States," and is in "a league with other national brands reporting more than \$200 million in sales. Those national brands include Coca-Cola, Tide, Cheerios, Ocean Spray and Starkist Tuna."



The Balance Sheet

- Winn-Dixie said that its fourth quarter profit was \$9.4 million, up from a year-ago loss of \$5.5 million, on revenue that was up about one percent to \$1.72 billion from \$1.69 billion last year.

Fiscal year profit was \$39.8 million, from \$12.8 million last year. Annual revenue rose about one percent to \$7.37 billion from \$7.28 billion, on same-store sales that were up 1.6 percent.

- Dollar Tree reports that its second quarter net income rose 51 percent to \$56.9 million, from \$37.6 million during the same period a year earlier.

Executive Suite

- Haggen Inc. announced that John Boyle has been promoted to Group Vice President of Sales and Marketing. He will oversee merchandising and marketing. Boyle joined Haggen, Inc. in 2007 as Vice President of Corporate Brands.

In addition, Becky Skaggs has been appointed Vice President of Marketing and Strategy. She is directing the marketing and advertising departments while maintaining previous responsibilities related to strategic projects, consumer research and public relations.