



-Week Ending 10/2/09-

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Thanks to MNB
for this selection of
articles.

Walmart CEO Assesses Company's Recession Performance

The *Wall Street Journal* has an interview with Walmart CEO Mike Duke, who offers an assessment of how the economy will continue to impact the world's largest retailer. Excerpts:

- "Our customers are still under a lot of pressure. We can see it by the way they shop, the products that they purchase and the timing of their purchases. We have started seeing in recent months that at midnight on the first of the month, we can see the customer there in the store, more than a year ago. That tells us that there is even more pressure on the pay cycle, and on the customer that is receiving benefits [that] the government provides."
- "There are some global trends. Customers are buying basic needs but are not spending as much on apparel. Consumers in mature and developing markets have said, 'I will invest in my basic needs but defer on discretionary items.'"
- "What is interesting, vitamins have been strong. You might think that would be something customers would cut back on. But customers say, 'I have to stay healthy. I can't afford to miss work. I can't afford to get sick.'"
- "We're doing a lot of things right. But we need to do them faster."

Winn-Dixie Rolls Out New Reusable Bag Line

Winn-Dixie said yesterday that it is introducing "a new line of high-quality reusable bags ... that make it easy for customers to go green fashionably. The eco-friendly bags, made from 95 percent recycled material, come in four trendy designs featuring fresh, high-color graphics. The bags will retail for \$1.50 each and will be available at all Winn-Dixie stores."

The company says that the bags feature images of fresh flowers, strawberries, orange trees and mangoes, and that it will introduce seasonal images throughout the year; a pink breast-cancer-themed bag, for example, will be in stores for a limited time during October.

"Winn-Dixie is raising the bar on reusable bags with these colorful new totes that have sturdy handles and a smooth surface that's easy to clean," said Robin Miller, director of corporate communications. "We encourage shoppers to substitute 'paper or plastic' at the checkout with these eco-friendly and fun alternatives."





Asda Looks To Engender Loyalty With Three New Programs

Reuters reports this morning that Walmart-owned Asda Group in the UK is launching three new loyalty initiatives:

- "Chosen By You" will access 18,000 existing customers, providing them with products before they go into the stores and asking them for input about purchasing decisions, product development and packaging.
- "Your Asda," according to *Reuters* "will be centered around a new blog called 'Aisle Spy' and will allow consumers to trace the journey of Asda's products on webcams.
- "Bright Ideas," the third initiative, offers the equivalent of more than \$150,000 (US) "to any shopper who comes up with an idea that saves the firm 2 million pounds."

Stater Bros. Opens New Front In Southern California Price War

The *Los Angeles Times* reports that Stater Bros. has "started filling a selection of antibiotic prescriptions for free. Albertsons said that it would match the offer at the Albertsons Sav-on Pharmacies in its stores, but that customers would have to ask for the deal. Vons said it had no plans to follow Stater Bros. Ralphs also said it would not match the offer but might introduce a similar program at a later date."

According to the story, "the Stater Bros. free offer covers a two-week supply of 38 different doses of eight different antibiotics, including generic versions of often-prescribed pharmaceuticals such as ciprofloxacin, doxycycline, penicillin and bactrim. Refills are also free."

Report Points To National Fruit, Vegetable Consumption Deficit

The US Centers for Disease Control and Prevention (CDC) is out with a new report saying that every state in the country falls short of official recommendations for daily consumption of fruits and vegetables, with only one-third of adults eating enough fruit and 27 percent eating enough vegetables.

The "State Indicator Report on Fruits and Vegetables, 2009" notes that there is a national goal to have "75 percent of Americans to eat at least 2 servings of fruit, and for 50 percent of Americans to eat at least 3 servings of vegetables daily."

The report also says that "the statistics are even worse for high school students - 32 percent of them report eating at least 2 fruit servings daily and 13 percent say they eat at least 3 vegetable servings each day. On average, only 9.5 percent of American adolescents consume at least 2 servings of fruit and at least 3 servings of vegetables each day."

While they are below targets, the 10 best states when it comes to fruit and vegetable consumption by adults are, in order, District of Columbia, Vermont, Maine, Hawaii, New York, Massachusetts, Connecticut, New Hampshire, Arizona and California.

The 10 worst states are Mississippi, Oklahoma, South Carolina, Alabama, South Dakota, West Virginia, Kansas, Kentucky, North Carolina, Arkansas and Missouri.



Giant Eagle Engages In Sixth Round Of Price Cuts This Year

The *Pittsburgh Post-Gazette* reports that Giant Eagle stores there has announced a new series of price cuts, as the chain “makes its case for being a part of the solution to household budget woes -- not part of the problem.”

According to the story, “This is the chain's sixth round of price cuts this year ... and follows five years of price tag trimming in other parts of the store that Giant Eagle claims add up to \$240 million in customer savings on more than 15,000 items ... In a recent company survey, officials found approximately 90 percent of customers use its sales circular at least once a month, with most using it weekly. They've also seen shoppers using more coupons, and they know that saving money is crucial to worried consumers.”

The *Columbus Dispatch* writes that the cuts were a competitive imperative: “Giant Eagle this summer was among the major grocers - including Kroger, Walmart and Meijer - that reduced prices on certain staples such as milk and eggs.” And the *Dispatch* notes that “to promote the price reduction ... Giant Eagle representatives are embarking on a 20-city tour, said spokesman Rob Borella. During the tour, members of its ‘Savings Squad’ will offer consumers tips on how to save, not only in the grocery store but on home energy costs and other personal-finance topics, he said.”

While some of the competition suggests that all the price cuts mean that Giant Eagle was too high-priced all along, the chain argues that it has been pulling out all the stops to find ways to cut costs and prices: “Examples of ways the company found to cut costs include replacing coffee cups at corporate headquarters with cheaper ones,” the *Post-Gazette* writes. “Inventories have been reduced in the warehouses with better point-of-sale systems helping stores buy products more efficiently. The grocer changed in-store music suppliers.

“About 80 positions were cut this summer at the headquarters and yesterday the company eliminated another 46 store-level human resources positions chainwide. Nine of those were in Pittsburgh-area stores. Even the purchase of a water bottling operation in Westmoreland County has helped by allowing Giant Eagle to serve as its own supplier.”

Brookshire Buys Minyard Store

Brookshire Grocery Co. announced the acquisition of a 31,000-square-foot Minyard Food Store in Seagoville, Texas.

According to the announcement, Brookshire will close its existing store in the market today, and reopen the old Minyard store under its own banner tomorrow. The new store, the company said, “will allow Brookshire's to offer pharmacy services in Seagoville. It will feature Brookshire's traditional grocery, market, produce, bakery and deli departments.”

“We will continue to work hard to get the new store reset and ready to open with literally no interruption to business,” said Brookshire president/CEO Rick Rayford.

Tyler, Texas-based Brookshire operates a total of 156 stores in Texas, Louisiana, Arkansas and Mississippi.



Sansolo Speaks: "Think Pink"

by Michael Sansolo

For a city kid like me, taking on whitewater rapids has a special thrill. After all, while I knew how to change subways in New York at a young age, my abilities in the great outdoors are anything but in-bred.

So I was fascinated to learn that the key to running rapids was actually to stay faster than the current, because that's the only way to keep me, not the river, in control of the boat. Seems like a perfect metaphor for today's business world, doesn't it?

What got me thinking about that this week were reports on the exceptional sales growth of Pepto-Bismol in the midst of the tough economic climate. On the surface, that growth really shouldn't be unexpected. I have to believe more than a few of us went fumbling for the antacids as we watched stocks begin their plunge a year ago and our 401ks sank to a fraction of their former selves. Yet Pepto's performance remained strong.

In the past year, the 108 year-old brand managed a 0.7 gain in share points for the liquid form; and tablets gained 2.5 points. And it managed that gain despite a 60% higher price than its private label competitors. Talk about bucking trends. *Advertising Age* went looking for an answer and seemed to come up with an idea: Pepto followed the rules of whitewater rafting: it paddled faster than the storm.

Ad Age noted that Pepto did a number of key things to accelerate its growth. The brand launched new ads just as the recession was exploding full force. What's more, those ads took an unusual tack for an OTC remedy, using humor at a time when everyone seemed to need it most.

It would be wonderful to report that the gains were totally planned out, but the *Ad Age* article made it clear that even Pepto's handlers at Proctor & Gamble were somewhat surprised by the success.

Pepto, it seems, provides a terrific metaphor for business success in today's challenging environment. It's a product with a clear message on what it does and doesn't do. It's nothing new or nothing all that special, but its value proposition is pretty clear.

On top of that, at a time when everything was getting cut back, Pepto had the good luck to be debuting a new ad campaign and one that grabbed the customer with a fun, easy to follow message. And while P&G wasn't pouring extra funds into Pepto's campaign, *Ad Age* points out the spending wasn't cut either - a noteworthy decision in the current climate. So, by staying the course, P&G won.

I'm thinking P&G deserves extra credit all the same. It would have been easy to avoid the risk of a new advertising campaign as times turned tough. And it would have been understandable if the company cut back on advertising like so many did. Only, P&G didn't.

In essence, P&G showed more than guts - they really did all the right things: identifying clear value, using creative selling and staying the course even as times got tough. It wouldn't merit discussing if that action plan wasn't simply so uncommon for the current times.

There's one other lesson I remember from my whitewater rafting experience. When the river got really tough, our instructor explained, start paddling really hard. That seems like another easy metaphor for a tough economic climate.

Life still isn't easy out there and it's likely it won't get easy anytime soon. But just soak in the lessons from pink antacids and whitewater. In short, keep paddling.

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FastNewsBeat

- *KTIV-TV News* reports that Hy-Vee plans to start selling more local, organic vegetables under a partnership the retailer has created with PrairieSun Organics. Local, organic fruit is expected to be on Hy-Vee's shelves in 2010.
- The *Chicago Sun-Times* reports that Walgreen has confirmed its plans to start selling beer and wine in most of its 7,000 store around the country. The rollout will take up to a year and a half, the company says, because of the need to acquire all the appropriate licenses.
- The *Washington Business Journal* reports that Safeway plans to spend \$100 million over the next five years to renovate and/or replace its stores in Maryland's Montgomery County.
- Food Lion announced that it has completed the remodeling of 31 stores "in Columbia, S.C. and Florence, S.C. As part of Food Lion's ongoing 'Take A Fresh Look' renewal efforts."

The MNB Wal-Mart Watch

- The *Los Angeles Times* reports that Walmart "is expanding its lineup of \$10 toys for the holiday season to more than 100 items. The move is the latest in an increasingly heated holiday toy battle as retailers race to attract frugal shoppers.

"Wal-Mart said it had worked with its suppliers over the last year to offer an assortment of top brands, classic toys and newly released items for \$10, including Barbie dolls and Transformers action figures."

The Balance Sheet

- Drugstore chain Rite Aid reports that its September sales were down 1.5 percent to \$1.941 billion, from \$1.971 billion during the same month a year ago, on same-store sales that were down 0.3 percent.
- Walgreen Co. said that its fourth quarter profit was down two percent compared to the same period a year ago, to \$436 million from \$443 million. Q4 sales were up eight percent to \$15.7 billion, on same-store sales that were up 2.4 percent.

Annual profit was \$2 billion, down from \$2.16 billion last year, on annual sales of \$63.34 billion, up from \$59.03 billion a year ago.

Executive Suite

- The *Boston Globe* reports that Dunkin' Donuts president/chief brand officer William Kussell has resigned, and will serve as a consultant to the company through the end of the year. No reason was given for the decision.

He will be succeeded in his duties by CEO Nigel Travis.