



-Week Ending 10/03/08-

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Thanks to MNB
for this selection of
articles.

For Walmart, A Window Closes As A Door Opens

The *Financial Times* reports this morning that Walmart has opened its first Marketside small store in Mesa, Arizona, a "soft opening" for the 15,000 square foot format that is designed to allow the retailer to enter neighborhoods and communities that until now have been inaccessible or even unfriendly to it. Marketside also is seen as a rejoinder to the expansion efforts of rival retailer Tesco, which has opened more than 70 similarly sized Fresh & Easy Neighborhood Markets in California, Arizona and Nevada.

As noted by *FT*, Marketside does not carry the Walmart logo and has a broader national brand presence than Fresh & Easy, though it does carry a selection of private label items, fresh foods and prepared meals that is geared to convenience-oriented shoppers.

The Mesa store is the first of four slated to be opened in the Phoenix area, with additional openings targeted in Southern California.

Meanwhile, the *Dallas Business Journal* reports that Walmart has decided to close one of its Dallas Neighborhood Market stores, which it said has not been performing up to expectations for several years. The retailer said that it is opening a new supercenter three miles from where the Neighborhood Market has been operating, and the new unit makes the older store redundant.

Delhaize Expands Guiding Stars Licensing Program

Published reports say that Delhaize America has decided to license its Guiding Stars nutritional label concept – which awards one, two or three stars to products that qualify as being good, better or best for you - to manufacturers, schools, hospitals and restaurants. To this point, Guiding Stars has been implemented in close to 1,500 Delhaize-owned supermarkets and has been marketed to other supermarket chains; Delhaize has said that starred items have been seeing sales increases triple those of equivalent non-starred items.





Rebuilding A Retail Behemoth For Life After Hard Times

There is a fascinating piece in *Fortune* about Home Depot CEO Frank Blake, who is working to rebuild the company after the near-disastrous reign of Bob Nardelli, who left the company after centralizing buying to the point where local stores could not respond to local circumstances, squelching dissent to the point where a culture of fear had gripped the company, and cutting back on customer service to the point where shoppers were going elsewhere. (It wasn't bad news for everybody; Nardelli left the company with a severance package worth more than \$200 million.)

Blake is trying to reinvigorate Home Depot at a tough time – the declining economy means that fewer people are spending money on home construction and repairs. One of his first steps was to eliminate the Nardelli-created wholesale supply division of the company, and put more attention on the stores. And according to *Fortune*, Blake “is not managing for the here and now, slashing jobs and expenses with quarterly earnings in mind. Instead, he's doing something counterintuitive: He's spending money on the folks in the orange aprons to prime Home Depot for life after hard times. Blake is quietly but aggressively presiding over radical change at the company...”

Some other relevant excerpts:

- “Blake has boiled his strategy down to a few priorities, all of which revolve around stores (engaging employees, making products readily available and exciting to customers, improving the store environment, and dominating the professional contracting business, an area in which Home Depot's closest rivals trail far behind). ‘To me, it just makes more sense to have one integrated business,’ he says by way of explaining why he sold off the wholesale business.”
- “To spruce up the stores, Blake restriped the parking lots and improved lighting. He bulked up his merchandising team, headed by Craig Menear, which has, in turn, empowered the field merchants, whose job it is to understand local markets. Menear wants to make sure that the focus is on the customer's project rather than the product being sold. ‘Our whole job is to help customers solve their problems,’ he says. ‘You need to make sure you think about that from a project standpoint. If not, you can fall into the trap of selling commodities’.”
- “Instead of assessing store managers on 30 metrics, the company today uses only eight, including each store's improvement in customer surveys. Blake now gives assistant managers restricted stock, has boosted the number of associates eligible for annual bonuses, and has reinstated merit awards, which make associates who go beyond the norm eligible for a spot bonus. He also returned some of the decision-making to the stores: About 75% of the end caps (promotions at the end of an aisle) are now the choice of local and regional managers, who can use their experience to promote locally popular items.”
- “The goal has been to boost in-store employee hours without increasing overall costs. So when Blake decided to cut the corporate staff by 10% and shuttered a call center, the savings was earmarked for putting more employees on the floor. Blake also abolished the pay ceilings that existed under Nardelli to hire 3,000 specialized in-store experts, called master trade specialists, whose job it is to provide professional-quality advice to customers.”



Food Lion Opens New Bottom Dollar Prototype

Delhaize-owned Food Lion is scheduled to open its first ground-up Bottom Dollar Food store today, a 20,000 square foot prototype in Mooresville, North Carolina, that the company says represents "a significant redesign" for the concept.

The 27 previous Bottom Dollar units opened in North Carolina, Virginia and Maryland since the format was created in 2005 were all converted Food Lion stores. Paul LaCroix, vice president of Bottom Dollar Food, says that "the goal in this design is simply to right-size the store, have the right product and deliver incredible savings to our customers ... Customer segmentation has been used to find the very best item selection for this store, as well as making use of the unique things learned in current Bottom Dollar Food stores, which allows us the opportunity to deliver something really special."

According to the company, the new store will feature a walk-in produce cooler that doubles as part of the sales floor, allowing customers to shop in the cooler while still feeling like they are in the store and not the backroom.

And, the new store will be decorated in Bottom Dollar Food's signature colors of bright orange and lime green, and store employees wear uniforms in the same colors. The stores also have humorous phrases adorning the walls, such as, "With these prices, there's no need to cry over spilt milk."

Sansolo Speaks: It's The Economy!

by Michael Sansolo

Does anyone out there have the answer to the current financial crisis?

I thought I'd ask in case someone is sitting there with all the information and just hasn't acted because no one actually inquired.

However, I'm betting we won't get an answer to that question. I'm sure we can easily spark a debate on what caused this mess, how we feel the various politicians are responding and whether we have confidence in the firm of Paulson and Bernanke who now seem to be running the United States. (If indeed it can be said that *anyone* is running the country, in the wake of yesterday's stock market freefall, the failure of Congress to pass the \$700 billion bailout bill, and the blame game that everybody seems to be playing at the moment.)

Here's the thing: The financial mess is THE issue people are discussing and no one is feeling good. I happened to be in Mexico for two days last week and the US financial crisis was all I heard about there, too. As one businesswoman told me, if the US gets a cold, Mexico gets pneumonia. In the US, the discussion is just as downbeat.

The reason we need to state the importance of this issue is this: what matters to shoppers must always matter to us. PERIOD.

Think about it: since the financial crisis became the focal point of the endless news cycle the odds are that most Americans haven't bought a house, a car or anything else. But they have gone to the supermarket and the questions we must ask is are we in step with the issue on their minds.

Financial issues and economic upheaval always have impact on the food industry. It might take time, but it always happens. Just think back on the period of generics and barebones warehouse stores during the





economic malaise of the 1970s. The growth of services and upscale products were characteristics of the boom times of the 1980s and 1990s. And the emergence of price operators accelerated during the downturn of the late 1980s and the early part of the current decade.

Economic changes always alter this industry and the companies that thrive during these periods are those that most quickly get in line with these changing shopper realities.

And today the realities are spinning out of control. Most Americans don't understand this financial mess and never will, but they are worried. So what will that mean to shopping patterns, the mix of products in the basket and the emphasis on price? We're already seeing evidence of change in many ways, but the evidence is all about reaction. None of it is about anyone leading.

Simply put, we are facing a new reality. And a new reality requires new discussions.

So while you may not have the answer, you have questions you must consider on how your company will address this issue with shoppers and what it will mean to your financials, your associates and your messages. We need to think about how to align with these growing concerns and how to demonstrate alignment with the shifting values consumers are likely to have.

There are places to start. Talk to your shoppers and express your shared concerns. Remind them of all the money-saving devices in the store, from the range of products, to sales, coupons and more. Educate them on the steps you take to hold down costs even as commodity prices rise. And even talk with them about the economic benefits of home meals because, after all, there is opportunity in this. Have the same discussions with employees because they share the fears, too, and they will be the front-line eyes and ears through this mess.

This is not the usual economic situation either. It is already hitting affluent neighborhoods as well as poor ones. It's impacting retirees and those just starting careers. Anyone who owns stock, a 401k, a mortgage, a student loan or even a bad credit card bill is worrying. That means, pretty much all your customers.

So, start talking. And show them once again that what matters to them is what most matters to you. And start now.

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FastNewsBeat

- The *Cleveland Plain Dealer* reports that Giant Eagle and Heinen's Fine Foods have come to a tentative contract agreement with the United Food and Commercial Workers (UFCW) on a new contract covering more than 8,700 employees for Ohio stores owned by the two chains. Terms of the deal were not disclosed pending ratification by unionized employees.
- PriceSmart, which operates 25 warehouse clubs in 11 countries in Central America and the Caribbean, and one U.S. territory, announced this week that it is acquiring new properties in Panama and Costa Rica for the development of new stores.
- Albertsons LLC (which may be best described as the Albertsons *not* owned by Supervalu) announced a new prescription savings program on both branded and generic medications, with a 30-day supply of over 500 generic drugs available for only \$4.99. It costs \$10 per household to enroll in the program.





The MNB Wal-Mart Watch

- Walmart announced yesterday that it has developed new programs designed “to make healthcare more accessible and affordable for its Wal-Mart Stores U.S. and Sam’s Club associates by introducing new programs designed to keep them and their families healthy.”

Among the improvements, the announcement said: “One new feature of the 2009 plan is ‘Life with Baby,’ an initiative designed to give associates and their spouses personalized tools and education to help them have healthier pregnancies and infants. The comprehensive program touches on all phases of maternity, beginning with pre-pregnancy and continuing through pre-natal, postpartum and child care. Throughout the phases, associates can receive immediate assistance from a registered nurse and materials tailored toward their individual needs. The plan also includes expanded benefits, such as four periodontal cleanings to help prevent the risk posed by gum disease to the mother and baby, and a new smoking cessation program.”

- Walmart reportedly has begun cutting prices on popular toys and games stocked in its stores and already has begun opening up Christmas shops – moves that are tied to broader concerns that the tough economy could lead to the worst end-of-year holiday season in decades.

The Balance Sheet

- New Jersey-based Village Super Market Inc. said that its fourth quarter net income was \$6.9 million, up nine percent from the same period a year ago. Q4 sales were \$298 million, up 10.7 percent from a year ago, on same-store sales that were up 3.6 percent.

The company also said that net income for the fiscal year was \$22.5 million, up 10 percent from the previous year, on sales of \$1.1 billion, up 7.8 percent, on same-store sales that were up 2.5 percent.

- Walgreen reported that its September sales were \$4.85 billion, up 10 percent from \$4.4 billion during the same period a year ago, on same-store sales that were up 4.7 percent.
- Rite Aid said that its September sales decreased 0.8 percent to \$1.971 billion compared to \$1.986 billion for the same period last year. Same-store sales were up 1.7 percent.

Executive Suite

- Big Y Foods has hired William D. White, a former executive with Balls Food Stores and Farm Fresh Foods, to be its new CFO, succeeding the retired Herbert D. Dotterer.