



-Week Ending 10/23/09-

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Thanks to MNB
for this selection of
articles.

Supervalu Gets Out Of Urban Fresh Business

The *Chicago Tribune* reports that Supervalu-owned Jewel-Osco has decided to abandon the Urban Fresh small store concept, featuring such items as gourmet fresh foods and organic produce, that it has been testing in the city's Lincoln Park area.

According to the story, the store will close at the end of the month and the company has no plans to build any more.

The *Tribune* notes that at the time the store opened in September 2008, "Supervalu Chairman Jeff Noddle said the experiment would allow the company to expand into urban areas where real estate for larger stores is hard to find."

But Noddle no longer is in charge at Supervalu, having been replaced by former Walmart executive Craig Herkert.

Tesco Tests Self-Checkout-Only Store In UK

In the UK, the *Daily Mail* reports that Tesco has opened its first self-checkout-only store in Kingsley, Northampton, which "has a total of five self-scan tills overseen by a single member of staff but no manned checkouts. It is described by the company as an 'assisted service store' designed to increase efficiency and speed up the shopping process."

According to the story, the new Tesco Express store is raising some concerns, with critics warning that "the move marks the end of basic human interaction during weekly shopping trips and could eventually cost thousands of jobs."

And a spokesman for Walmart-owned Asda Group, one of Tesco's biggest competitors, tells the *Daily Mail* that "hell would probably freeze over before we had a store with no customer interaction at all on the checkouts."

Tesco says it has gotten no complaints and that lines seem to be moving faster in the new store.



Walmart Announces "Deep Savings" Initiative

Walmart said yesterday that it plans to "offer weekly deep savings events and new everyday low prices on thousands of items across the store, starting today through the holiday period. Each week, Walmart will announce new pricing reductions, beginning with select items in groceries and entertainment."

"Many of these prices represent the lowest we've offered in years, because we know these are tough times for American families," said Eduardo Castro-Wright, vice chairman, Walmart Stores, Inc. "We made a purposeful decision to focus initially on everyday staples as well as items that often require larger spending commitments in preparation for Thanksgiving and Christmas."

Supervalu Plans To Double Number Of Save-A-Lot Stores

The *Wall Street Journal* reports that Supervalu CEO Craig Herkert "plans to double the size of the underperforming grocer's discount chain Save-A-Lot to about 2,400 stores over five years," which he told analysts "is not an abandonment of traditional grocery; this is an acceleration of Save-A-Lot." The Save-A-Lot format is similar to that of the fast-growing Aldi chain - it uses a small box to sell about 3,000 mostly private label items, offering no service and limited hours.

According to the story, "Supervalu has struggled to capitalize on its national scale since it acquired more than 1,100 Albertson's stores in 2006. A more centralized purchasing structure for the chain's 2,500 stores and the 1,800 supermarkets it supplies as a wholesaler should drive down nondiscounted, or everyday, prices of national-branded items. Mr. Herkert called the disparity between discounted and nondiscounted prices 'out of whack'."

Herkert, a former Walmart executive who moved over to Supervalu earlier this year, told the analysts: "Times are tough ... but we cannot and will not use the overall economy as an excuse. Supervalu must transform itself into a business that is customer focused, dynamic and agile enough to meet the evolving needs of customers, whatever the environment. Clearly we have not done that recently ... My sense is the American consumer's shopping habits have changed probably forever, certainly for a long time, and I don't think we are going to wake up in a few months and everybody will be back to 2006."

C-Store Association Announces Two New Initiatives

NACS Chairman Hank Armour announced two new initiatives at the annual NACS Show in Las Vegas yesterday.

The trade association is launching the NACS Center for Achieving Foodservice Excellence, also known as the NACS CAFE, as well as a NACS advocacy campaign that will integrate industry and consumer frustration over credit card interchange fees in order to achieve congressional action.

NACS CAFE, which debuts in early 2010, will "provide certified training programs for foodservice managers, supervisors and corporate directors through a series of online computer-based training modules and on-campus educational programs, as well as through a Web-based resource center," the association said.

As for the interchange fee-related initiative, Armour pointed out that "successful political action requires two things: skillful lobbying on Capitol Hill and dramatic grassroots activity. We now need to light grassroots fire around the country." The goal is to get customers to speak out over credit card interchange fees via a new petition campaign, similar to those that have already resulted in millions of signatures at 7-Eleven and Circle K stores, Armour told attendees.



Not Exactly A Blue Christmas, But...

The National Retail Federation (NRF) is out with its annual Holiday Consumer Intentions and Actions Survey, which indicates that "consumers plan to spend an average of \$682.74 on holiday-related shopping, a 3.2 percent drop from last year's \$705.01."

According to the report, "two-thirds of Americans (65.3%) say the economy will affect their holiday plans this year, with the majority of these consumers saying they're adjusting by simply spending less (84.2%). People will also be shopping for sales more often (55.0%), using more coupons (41.7%) and putting up last year's decorations (34.0%). Many Americans will also make changes in gift-giving, planning to buy more practical gifts (36.0%), buying a joint gift for kids or parents (17.3%), and making more gifts (16.7%). Additionally, more than one-fourth of Americans (28.6%) say the economy is forcing them to travel less or not at all for the holidays."

Sansolo Speaks: "Silo Busters"

by Michael Sansolo

Aside from being a fabulously enjoyable Broadway show, *Wicked* actually teaches an incredible business lesson that virtually all of us need to learn. The show, based on the Gregory Maguire book of the same name, poses a very challenging question: what if everything we knew about a specific event was simply wrong.

In the case of *Wicked*, the premise is simple. We all know the story of *The Wizard of Oz*. However, consider for a second that it was told incorrectly to protect a cruel and corrupt government and that the Wicked Witch was actually the hero. The genius of Maguire's story is that he tells his tale without violating anything we know in the beloved movie. And by doing so he makes us think.

Perspective is stunningly important, but far too often we all hesitate to challenge the views we personally hold. We do it in politics (Bush bashers out there, consider your complaints about how Obama is treated...and vice versa), we do it with history and we do it in business. You're on your own to consider opposing views in history or politics, but in business we have to start tackling some of this together.

The trigger for this discussion came during last week's FMI Future Connect, which once again I must inform you I played a big role in planning and running. One of the most interesting discussions I heard there took place thanks to Peg Neuhauser, author of books on tribal warfare inside companies that I plan to start reading immediately. Neuhauser put the group through an interesting exercise in which audience members were asked what words or phrases colleagues use that make their skin crawl. The examples came quickly, including: "you people," "my boss said it's our call," and the dreaded "that's not how we do it."

The answers flowed a little slower when Neuhauser asked the group to think of the phrases they personally use that probably have the same impact on others. But the point was made: tribal warfare and silo building isn't something only the other guys do.

But there was one stunning moment that was not answered as well. Neuhauser asked the group to name the department that causes them the most problems or seems to have the most impenetrable silos. Incredibly, the same department kept coming up: IT or information technology. The message was clear: in a room of 1,000 people representing companies of all types and sizes, IT is THE problem.

Except that's largely wrong, a point the small group of IT people in the room wisely avoided making that day given the overwhelming numbers against them.

Certainly, there are problems caused by IT. There are times an IT staffer answers questions in a less than helpful way. And it's hard to imagine there is any department outside a hospital emergency room that has more confusing jargon than IT. But like the Wicked Witch, IT is getting a bum deal.



I've had the good fortune of working with many IT professionals over the years and they all share interesting stories about how operations, merchandising, marketing or management messes things up and then blames IT. The litany of problems is huge ranging from people who simply have no clue how to operate a computer to those who want various technological tools without any plan on how to use that tool to help the company operate better. And when questions are asked, IT is blamed for intransigence.

This is just an example, but an important one all the same. Trying to see problems or issues through another's eyes can make us all stronger. The Neuhauser discussion reminds us that we all need an attitude adjustment time and again to make us consider whether the silo builder is the person staring back in the mirror or if the Wicked Witch really isn't very wicked at all. Sometimes perspective needs a good shaking.

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Target To Offer Discounts To Shoppers With Reusable Bags

USA Today reports that Target plans to offer its shoppers a five cent discount for every usable shopping bag they bring into its stores. The move comes just days after CVS said that it will give customers in its Extra Care program a \$1 coupon for every four times they use a reusable shopping bag.

According to the story, "the two programs could keep billions of plastic bags out of the environment and nudge other big retailers to take similar steps, says Allen Herskowitz, senior scientist at the Natural Resources Defense Council."

Walmart Looks To Small Formats As Engine For Big Growth

The *Financial Times* reports that Walmart has decided to put new emphasis on its Neighborhood Market format, "recruiting a new team of managers and buyers that will focus exclusively on the smaller stores, which, with just more than 150 locations, currently represent only a fraction of Walmart's total US sales. It is also recruiting managers to develop staff training and store planning and performance systems that will 'meet the unique needs of all small formats,'" which would include both the Neighborhood Market and the even smaller Marketside format that it started testing in Arizona earlier this year.

While the Neighborhood Market format was opened more than a decade ago, it has never grown to the extent that many expected, with insiders saying that it was because the return on investment (ROI) for the concept simply was not sufficient, especially in comparison to the supercenter format. However, a number of circumstances may have created an environment in which it makes sense for the world's biggest retailer to start thinking small.

For one thing, there remain a number of communities big and small that have resisted Walmart's desire to expand, and the Neighborhood Market format could break down some of those barriers. For another, as *FT* notes, while "Walmart's low price model has made it one of the leading beneficiaries of the current frugal mood of US shoppers ... it has been slowing its rate of US store expansion, as cannibalization of its existing store network started to reduce the return on invested capital on new stores;" a Neighborhood Market expansion could serve as a new engine for growth.

At the same time, since the industry at large seems to be embracing the small store, with retailers that include Tesco and Safeway opening their own versions, it makes sense for Walmart to ramp up its commitment to this area of the business.



FastNewsBeat

- The *Dallas Morning News* reports that Safeway-owned Tom Thumb “says it’s cutting prices on thousands of items beginning today to become a ‘more affordable and convenient one-stop-shopping experience.’ The Texas division, which includes Tom Thumb in North Texas and Randalls supermarkets in Houston and Austin, is one of the last of 10 U.S. divisions to adopt Safeway’s everyday-low-prices strategy.
- Sprouts Farmers Market announced that it will open its ninth Dallas location and 42nd store overall when it unveils a 22,488-square-foot unit in Cedar Hill this Friday.
- The *Arizona Republic* reports that Bashas’ plans to reopen the Goodyear, Arizona, store that it closed just two weeks ago as part of its Chapter 11 bankruptcy filing. It is the only one of 23 announced closings by Bashas’ expected to be reversed, and management said it could do so because of real estate concessions and local shopper support.

The MNB Wal-Mart Watch

Lots of news about Walmart this week...

- The *Financial Times* reports that Walmart is planning “a new US expansion drive in major cities using smaller and more efficient versions of its superstores, even as it continued to reduce its rate of annual square-footage growth in the US.” In other words, it plans on going where no Walmart has gone before.

“We do have considerable opportunities to expand here in the US and especially in major metropolitan areas; and we will introduce new innovative formats here in the US,” CEO Mike Duke told analysts meeting this week.

Walmart had previously announced that it plans to dedicate new money and staff to its small store initiatives. Also on the table - more of its 39,000 square foot Supermercado de Walmart Hispanic supermarkets to build on the success of two opened this year in Texas and Arizona.

Eduardo Castro-Wright, head of Walmart’s US stores division, said the moves “will help us penetrate markets that have been traditionally difficult for us.”

- *FT* also reports that Walmart “expects its international store footprint to grow faster than its US operations next year, accounting for more than two-thirds of its new square footage growth ... This year marked the first in Walmart’s history in which its US store footprint has expanded more slowly than its international business.”

The story also notes that Walmart expects “to accelerate store growth in the US in 2011 as the economy recovers, after focusing capital expenditure for the coming year on remodels aimed at improving returns from its existing stores.”

Reuters reports that the company’s Sam’s Club division “is shifting its focus from opening new clubs to remodeling existing ones as it strives to increase sales ... The No. 2 U.S. warehouse club operator also said it is testing a new store layout, revamping merchandise to add more food and drugs, and streamlining operations so it can reduce labor hours in its clubs 6 percent to 8 percent over the next five years.”

The company said it would “increase space in its clubs for produce, meat and bakery items, over-the-counter drugs, and health and beauty-care items. It is cutting space for large appliances, sporting goods, furniture, movies and DVDs,” according to the *Reuters* story.

“We are absolutely raising the bar on club productivity, while also focusing on improving that in-club experience,” Sam’s Club CEO Brian Cornell told analysts this week.

- *Bloomberg* reports that Walmart may be considering an entry into the South Africa market. The speculation came after Pick n Pay CEO Nick Badminton revealed that he’d met with Walmart representatives as a “courtesy.”





The Balance Sheet

- Amazon.com yesterday reported a whopping 69 percent increase in third quarter net income, to \$199 million, compared to \$118 million during the same period a year ago. Q3 sales were up 28 percent to \$5.45 billion.

According to the *Bloomberg* story, CEO Jeff Bezos said that the positive financial performance came because the company "attracted customers by expanding overseas, offering shipping promotions and introducing new versions of the Kindle electronic reader."

- Supervalu said yesterday that its second quarter profit was down 42 percent to \$74 million, from \$128 million during the same period a year ago. Q2 revenue was down 7.5 percent to \$9.46 billion.

Executive Suite

The *Newark Star-Ledger* reports that Andreas Guldin, a member of the board of directors at the Great Atlantic & Pacific Tea Co. (A&P) as well as an executive managing director at the company, has been named vice chairman and chief strategy officer. The move comes in the wake this week of the forced resignation of CEO Eric Claus.

The Kroger Co. announced yesterday that Kathleen S. Barclay has been named senior vice president of Human Resources. Barclay, a 30-year veteran of the HR game, most recently has run Global Human resources for General Motors Corp. The appointment is effective in January 2010.