



-Week Ending 10/30/09-

Below is the list of articles you will find for the week ending 10/30/09 edition of Retail Industry News.

- ▶ **Southwestern Connecticut Sees New Grocery Competition**
- ▶ **Sansolo Speaks: "The Undiscovered Market"**
- ▶ **Costco Set To Accept Food Stamps Nationwide**
- ▶ **Kroger Offers Superior Traceability With New Salad Line**
- ▶ **New Seasons Takes Unorthodox Approach To Healthy Food Marketing**
- ▶ **Meijer Simplifies Pricing, Discounting Program**
- ▶ **Food Lion Introduces "Cascading Refrigeration System"**
- ▶ **FastNewsBeat**
- ▶ **Executive Suite**



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

Southwestern Connecticut Sees New Grocery Competition

Interesting piece in Connecticut's *Stamford Advocate* about how "lower land prices and years of retail stagnation have opened the door into Connecticut for a rush by new grocers intent on expanding their reach."

The big name mentioned has just four letters - Aldi - which according to the story "opened 100 new stores last year, will open 80 new ones this year and plans for another 80 next year," though none of them in Fairfield County, upon which the *Advocate* focused. However, the story also notes that the Great Atlantic & Pacific Tea Co. is replacing one of its traditional A&P stores in Bridgeport with its Food Basics discount format.

At the same time, on the upper end of the scale, Fairfield County is seeing the incursion of new stores from Whole Foods and Fresh Market, the latter of which recently opened a store in Westport, which shows "that southwestern Connecticut's high-income crowd continues to draw interest from some retailers, although other chains ratchet up the competition for price-driven shoppers."

Sansolo Speaks: "The Undiscovered Market"

by Michael Sansolo

Baseball legend Willie Keeler is widely remembered for a simple line of advice. "Keep your eye clear and hit 'em where they ain't," he said. It's as good a lesson for business as it is for baseball hitters.

Hitting them where "they ain't" in baseball produces singles. For business it opens markets that others are neglecting to serve for a host of reasons. The *Wall Street Journal Asia* edition (spend a week in Japan and you see all kinds of new things) had a great take on this last week in a profile of an emerging part of the Indian economy. Now, most of the news we get out of India is focused on the burgeoning market power of the world's second most populous country and its explosive business growth. This article was about the other India.

The other India is poor and simply looking to build a slightly better life. And in the spirit of true entrepreneurship, Indian business is finding a way to meet that need. As the article explained, engineers in India are finding ways to reinvent products by making them both simpler and more affordable to the poor. The products range from Tata Motors' \$2,200 car to a \$43





water purification system or a \$70 miniature refrigerator.

Not surprisingly, the products sell.

But *hitting 'em where they ain't* isn't limited to the poor in a developing country; in fact, it's a lesson in finding opportunity anywhere.

On Monday MNB reported on Aldi's incredible plans for opening stores around the US. That's a news item that no retailer or supplier should take lightly for one second. Because in so many ways Aldi is just like that simplified and cheaper refrigerator in rural India: It delivers what's needed to a market that is usually overlooked.

For far too long the food industry has struggled with opening stores in low-income inner city neighborhoods, despite some extremely well-intentioned and well-publicized efforts to do so. The reasons for the struggles are very real and those who have overcome them deserve a huge amount of credit. But the bottom line is that there are far too many places in the US that remain underserved by food stores and those markets present a staggering opportunity.

A number of years ago, Harvard Business School did a study on the buying power of poor neighborhoods noting that frequently those areas are competitive diamonds in the rough. In poor neighborhoods, population density is higher and since food is the first item purchased, the spending potential per square mile is actually extremely high, but the retail choices are low. That study was done well before the onset of our current economic conditions, in which the relationship between price and value has become more tightly linked than in decades.

And that's where Aldi comes in. One has to imagine that Aldi looks at these underserved areas and sees opportunity. Just like those engineers in India, Aldi has a simpler and more affordable offering that might fit the needs of a community very differently. Obviously, they'll do it with a lot of private label.

But the questions this raises are big. Will anyone in addition to Aldi (and perhaps before Aldi) target these shoppers with stores and products? Will anyone else consider this, like those engineers in India, and start addressing the problems of poor neighborhoods and the growing emphasis on frugality? Will anyone start looking for dramatic changes to the current offerings or will we merely see incremental shifts?

And five years from now, will everyone be wondering how another "alternative format" managed to come in and seize such a large share of sales where no one else was looking?

It's not like this hasn't happened before.

Michael Sansolo can be reached via email at msansolo@morningnewsbeat.com.

Costco Set To Accept Food Stamps Nationwide

The *Seattle Times* reports that Costco plans to accept food stamps at all of its US stores, described as "a major shift for a company that earlier this year said it doubted there would be enough demand among customers to warrant accepting food stamps in even one market, New York City."

About half the company's 410 US stores are expected to be able to accept food stamps by the end of next month, according to the story.

"The rules are different today," CEO Jim Sinegal tells the paper. "People who were in good shape financially all of the sudden are needing some assistance."

Kroger Offers Superior Traceability With New Salad Line

The Kroger Co. said yesterday that its new line of private brand fresh salads includes innovative new technology on the packaging that enables customers to learn where the produce was grown as part of the retailer's "Quality You Can Trace"(SM)





program.

According to the announcement, "Fresh Selections by Kroger' are quality, pre-washed ready-to-serve packaged salads available in produce departments in Kroger's family of stores. Priced from \$.99 to \$4.99, depending on the variety and the market, Kroger's Fresh Selections are the only salads with HarvestMark technology sold in the U.S. today. Each bag carries a 16-digit code shoppers can enter at HarvestMark.com to learn more about the salad's origin, packing location, ingredients, date and time the product was packed. Customers can also offer their feedback on the product."

New Seasons Takes Unorthodox Approach To Healthy Food Marketing

Nice piece by *National Public Radio* about Portland, Oregon's New Seasons Market, which it describes as having "local meat, sustainable fish and a lot of local and organic produce, tagged with yellow 'home grown' labels," but with a difference - "side-by-side with a wide array of organic and natural products are conventional products, including Double-Stuff Oreos, Skippy peanut butter and Diet Coke."

The reason is simple, says founder and CEO Brian Rohter: "We know that people aren't perfect. We know that people want to eat good food, but they also want their Doritos and they also want their Oreo cookies. We are not the food police. We want to offer what people want."

Also noteworthy about New Seasons, according to *NPR*: "New Seasons has very low employee turnover. The company pays well above minimum wage, with salaries starting at \$10 an hour. It offers health coverage for workers and their families. Most employees work more than 20 hours a week, and the company pays 80 percent of their premium. New Seasons pays 50 percent of the premium for employees who work less than 20 hours a week. Workers also benefit from a profit-sharing program: 20 percent of New Seasons' after-tax profit goes back to employees."

Meijer Simplifies Pricing, Discounting Program

Meijer announced yesterday that it has begun "implementing a new pricing program storewide - from the grocery shelves to the general merchandise aisles - that will greatly increase the number of items reduced in price, provide deeper discounts for sale items, and provide assurances to shoppers that they are paying Meijer's guaranteed lowest price for a particular product. The streamlined system simplifies what is on sale, as the retailer will now have just three different sales categories for shoppers: Everyday Best Price, Sale and Price Drop.

"The bottom line is that it will cost you less to shop at Meijer than it did before," said J.K. Symancyk, Meijer's executive vice president of merchandising. "This sale-pricing program will help further cement our standing as a low-price leader among national and regional grocers and retailers."

Food Lion Introduces "Cascading Refrigeration System"

Got the following press release yesterday:

"Grocer Food Lion LLC and refrigeration manufacturer Kysor/Warren unveiled the grocery industry's first cascading refrigeration system with naturally occurring carbon dioxide (CO2) to keep frozen and fresh foods cold.

"Food Lion demonstrated the system during an event held for industry peers and members of the U.S. Environmental Protection Agency's (EPA) GreenChill Advanced Refrigeration Partnership, a cooperative alliance working to reduce the use of ozone-depleting gases and curb greenhouse gas refrigerant emissions. The College Park store, located at 5432 River Station Blvd., is Food Lion's fourth GreenChill advanced refrigeration store and its third store to incorporate the use of CO2, a natural compound that reduces the amount of refrigerants needed to keep products cool or frozen by more than 30 percent.

"The system is Food Lion's first 'cascading' CO2 refrigeration cycle, which uses a single system and just one condensing unit to refrigerate and freeze foods. Before Kysor/Warren developed this system, grocers incorporating CO2 refrigeration systems



needed two condensing units as well as a freezer-specific system and a refrigeration (medium temperature) specific system. This is Kysor//Warren's first CO2 advanced refrigeration system in a retail grocery store setting."

FastNewsBeat

- The *Arizona Daily Star* writes that local residents should "expect to see more and more Walmarts in town as the discount retailer makes a push into the Tucson market with a smaller store that will slide right underneath the city's big-box ordinance. First on the list is a 91,000-square-foot store at the southeast corner of Golf Links and Houghton ... The store would be about half the size of one of the company's traditional supercenters."

- Walmart said that it will launch a new technology support service designed to compete with Best Buy's Geek Squad, helping consumers to set up consumer electronics products in their homes and also providing service options.

According to the *Reuters* story, "shoppers can buy service plans on a prepaid card ranging from \$99 to \$339. The service spans help with basic television installation on the low end to setting up a home theater, wireless router network or a home office computer network. The service includes a preliminary consultation and a tutorial after installation is completed."

- *Reuters* reports that McDonald's CEO Jim Skinner told the Chief Executives Club of Boston that while his fast food chain has done well during the recession, high unemployment has had an impact - primarily on the breakfast business, where in some markets has seen declines because people have stopped buying Egg McMuffins on the way to work because they aren't actually going to work.

- *Marketing Daily* reports that Whole Foods plans offer an exclusive label for the Georges DuBoeuf Beaujolais Nouveau that it plans to begin selling the third Thursday of November...and that it will be cross merchandising it with Persillé du Beaujolais, a soft blue cow's milk cheese produced by a small, artesional dairy in the Rhone Alps.

Executive Suite

- Weis Markets announced that Scott Frost, the company's acting CFO and treasurer, no longer has the job on an interim basis and has been promoted to be vice president/CFO/treasurer of the company.

- Rite Aid Corporation announced that Dan Miller, formerly Vice President of Pharmacy Operations, has been promoted to Senior Vice President, Pharmacy.

And, Rite Aid announced that Karen Staniforth, formerly Regional Pharmacy Vice President, has been promoted to Vice President, Pharmacy Operations.

- Starbucks has hired Kalen Holmes, most recently the human resources general manager for Microsoft's Entertainment and Devices division, to be its new head of global human resources.