

-Week Ending 10/8/10-

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Thanks to MNB
for this selection of
articles.

Walmart Prices At “Highest Level” In Almost Two Years, Report Shows

Bloomberg reports on a study by J.P. Morgan Securities saying that Walmart’s prices “rose in September to the highest level in at least 21 months ... The cost of a 31-item basket of goods at a Walmart in Virginia was \$95.75, a 2.7 percent increase from August and a 5 percent gain from the start of 2010 ... The price is the most since the New York-based analyst began the survey in January 2009.”

According to the story, “ Prices for produce climbed as Walmart offered almost no discounts on food last month ... Price cuts on items such as cereal and ketchup failed to attract as many consumers as Walmart anticipated, dragging down sales in the latest quarter, U.S. stores chief William Simon said last month.

“Produce accounted for 7 of the 31 items in the basket, with prices 10 percent higher in September than the previous month. Prices for dairy products rose 2 percent, and meat was unchanged.”

While *Bloomberg* notes that “Walmart’s prices came in below a similar basket of goods bought at stores operated by Kroger Co. and Safeway Inc.,” it also showed that the gap “between Walmart and the traditional grocers narrowed in September.”

Sansolo Speaks: “Managing to Make a Difference” by *Michael Sansolo*

What is the best measure of success and what is the best way to measure the impact of a successful leader? Far smarter people than I have long argued that managers are evaluated incorrectly.

Whereas most are rated on cold statistics - profits, sales, turnover, etc. - those measures can miss the big picture. There are many times that a retailer, for instance, may find their best manager in their worst performing store because he or she is the person pulling off the impossible, keeping things working in spite of awful conditions. Sometimes statistics tell only part of the story and the trick is to look even deeper and more knowledgeably.

There is a near perfect example of this argument this year from the world of baseball, where statistics are straight-forward and nearly everything can be measured and misinterpreted. Whether you like or detest sports, this is an example of managing that should command your attention because a cursory look at basic numbers will completely distort the picture...and obliterate the lesson.

As Kevin wrote yesterday, the baseball playoffs are set and include many regular participants like the Yankees, Braves, Twins and Phillies. This story, however, is about one of the four worst teams in baseball, the Baltimore Orioles.

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The Orioles have not been good for years. Long a model franchise on the field and financially, the Orioles have endured 13 consecutive losing seasons and the team's bottom line performance has slumped. Ever since the retirement of Cal Ripken Jr., the Orioles' wonderful home stadium, Camden Yards, has seen a growing number of empty seats. Incredibly, in 2010 things seemed even worse. Through their first 105 games, the Orioles won only 32 times and were headed for an historic level of failure. Or so it seemed until August third.

On that date, the Orioles hired Buck Showalter, a veteran manager with a history of hard-nosed leadership. Under Showalter, something incredible happened: the Orioles became a different team. Over the final two months of the season, the Orioles won 34 games and lost only 23. Virtually every player on the team suddenly started playing better. The question is: what changed?

Players said it began on day one when Showalter met with the team and spoke frankly. As one player said, "We know what he expects. There was no magic formula, just a good shift in gears." One other player said there was an extra element, admitting that when Showalter took over there was also "a little fear in there."

Showalter himself says he emphasized only a few changes and none about fear. Partially he worked to keep the team's bad moments from snowballing into something worse, which helps stop long losing streaks. And he urged maturity among his team with words that any manager should copy.

As Showalter said, "Your attitude should never go in a slump." Baseball is a difficult game with hundreds of intangibles, but Showalter says attitude should not be on that list. "There are certain absolutes you control."

He urged personal responsibility, albeit in a baseball way. His pitchers were told to simplify their approach instead of over-thinking situations. They also needed to understand that if they created a bad inning, it would be their responsibility to get out of it. His words worked. The pitchers became significantly better after August third.

Of course, there's no telling if Showalter's success with the Orioles means the team will be in the playoffs a year from now. Showalter has been fired before and in baseball the only absolute truth seems to be that every manager eventually gets the boot. (Bobby Cox in Atlanta is a different story, but we'll leave that aside today.) But even if Showalter doesn't coach another victory, he leaves us with a wealth of managerial lessons.

Lay out clear expectations; manage attitudes; urge maturity and responsibility; and understand that sometimes the numbers don't tell the whole story. In short, a winning lesson in many, many ways. Even from a last place team.

Michael Sansolo can be reached via email at msansolo@morningnewsbeat.com. His new book, "THE BIG PICTURE: Essential Business Lessons From The Movies," co-authored with Kevin Coupe, is available [by clicking here](#).

In Walmart's Parking Lot, Economic Reality Reflected

Nice piece in the *Wall Street Journal* about the "new normal" that is facing many U.S. families, even though the government has officially declared an end to the recession.

"At midnight on the first of the month, a scene unfolds at many Walmart Stores Inc. sites that underscores the deep financial strains that many low-income American consumers still face.

"Parking lots come to life after 11 p.m. as customers start to stream into the stores, cramming their shopping carts full of milk, infant formula and other necessities.

"Then at midnight, when the government replenishes their electronic-benefit accounts with their monthly allotments of food stamps, nutritional grants for mothers with babies or other aid for needy families, they head for the registers."

The *Journal* notes that "the midnight scenes, which also play out at Kroger Co., the nation's largest supermarket chain, and other 24-hour stores, indicate that many Americans are still living from pay period to pay period,

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unemployed or underemployed two years after the recession took hold.”

And, the story goes on, “Walmart executives have cited the midnight rush for the past year as evidence that stressed consumers are stretching the limits of the ‘paycheck cycle.’ The company hasn’t disclosed exact figures, but it says purchases made with electronic-benefits cards have surged in the past two years. Participation in the federal food-stamp program swelled from 26 million Americans in 2007 to more than 33 million last year, and it continues to surge. As of June, the latest figures available, more than 41.2 million people were receiving monthly assistance, which averaged \$133.36 a person.”

Retailers Band Together To Offer Amazon Alternative

The *Wall Street Journal* this morning has a story about how a number of retailers are using a cooperative program called ShopRunner to help them develop a competitive response to Amazon.com’s “Prime” shipping option.

According to the story, “the retailers are mimicking Amazon by dangling a \$79 loyalty program that offers unlimited two-day shipping. But in this case, it’s across all of the participants’ online stores, whether it’s Babies ‘R’ Us, Pet Smart, Dick’s Sporting Goods, GNC or a host of others. One-upping Amazon, ShopRunner will offer free returns.

“Membership in such programs acts as golden handcuffs: After prepaying for shipping, members become valuable repeat customers, in order to get the most out of the fee ... Retailers’ willingness to work together under ShopRunner illustrates how seriously they take the threat from Amazon, whose customer base has grown at the expense of traditional retailers as shoppers migrate to the Web.”

ShopRunner serves as a kind of clearing house for logistical and bookkeeping issues, while the individual retailers handle their own shipping - though the retailers have to live up to certain standards in order to be part of the consortium.

The story notes that Amazon accounts for eight percent of the U.S e-tailing market.

Into the Valley of Death Rode the Supermarket Competitors

The *Fresno Bee* has a story about how supermarket competition in California’s Central Valley is ramping up, with traditional stores facing new competition from the likes of Walmart and Target.

There already has been some fallout, with Save Mart closing two stores in Fresno County because of competition and a tough economy.

According to the story, “In the Valley, traditional grocery stores such as Vons, Save Mart and independents already compete with Hispanic-grocery stores like Vallarta, discounters like Foods Co., warehouse clubs like Costco, and specialty grocers like Whole Foods. Even drugstores are increasingly selling food ... The Valley already has a few big-box stores with expanded food options, including Walmart Supercenters, a Target Greatland in Visalia and a SuperTarget in Tulare. Some of the traditional Targets also have sizable food sections. But the remodels coming in the next year or so will expand that even further. The stores will sell fresh produce and fresh baked goods delivered daily, and offer 40% more food than a regular store, according to Target officials.”

Wakefern Wins Green Award in NJ

Wakefern Food Corp./ShopRite is this year’s winner of the Garden State Green Award in the Corporate Citizen category, which is given annually to organizations that have a significant positive impact on the environment through their daily business practices.

According to the announcement, “Wakefern/ShopRite is working on everything from reducing the amount of shopping bags in store to making more reusable bags available. The corporation has historically been active with recycling and taking materials out of the waste stream. In fact, in the last

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two years more than 70 million bags were reused by ShopRite customers and diverted from our landfills and in 2009 ShopRite recycled nearly 1110, 0000 tons of cardboard, plastic film, bags, newspaper, office paper and metal ... Additionally, a number of stores are moving toward energy efficient lighting as this saves significant amounts of energy. Wakefern is also keeping an eye on sustainable seafood, educating store associates, and providing information for customers to educate them about sustainability initiatives.”

Whole Foods Stakes Out Firm Non-GMO Position

Whole Foods announced yesterday that it is calling for this Sunday, October 12, to be celebrated as “Non-GMO Day,” with a goal of raising consumer awareness “about the presence of genetically modified organisms (GMOs) in the food supply.”

While it was not mentioned in the announcement, the initiative comes as the U.S. Food and Drug Administration (FDA) considers - and appears to be leaning toward - the approval of GM salmon for human consumption, a position that has created a great deal of antipathy among some consumers.

In the announcement, Whole Foods makes the following statements about GMOs:

- “GMOs are now present in 75 to 80 percent of conventional processed food in the U.S., according to the Grocery Manufacturers Association.”
- “58 percent of Americans are unfamiliar with the issue of GMOs in food, according to a 2006 Pew Initiative on Food and Biotechnology study.”
- “‘Non-GMO’ is the fastest-growing health and wellness claim on store-brand food labels, up 67 percent in 2009, according to Nielsen Co.”
- “80 percent of Whole Foods Market shoppers surveyed said they would seek out non-GMO products with clear labeling, and would be willing to pay more for these products.”
- “The FDA does not require food with GMOs to be labeled as such, so avoiding them is hard to do.”
- “GMOs are banned or significantly restricted in 30 other countries around the world, including Australia, Japan and all of the nations in the European Union.”

FastNewsBeat

- The *Houston Business Journal* reports that Kroger and the United Food and Commercial Workers (UFCW) “have ratified compensations packages for Kroger associates in the Houston Meat and Houston Clerks bargaining units. Kroger Texas LP, an affiliate of Cincinnati-based Kroger, made the agreement with the Local 455 unit of the UFCW, which represents more than 13,000 Kroger associates working in 107 stores in Texas.”
- *Bloomberg* reports speculation in the public markets that three food industry companies - Safeway, Clorox and ConAgra - could be targeted by private equity firms.

According to the story, the speculation takes place in the wake of a report that “Sara Lee Corp. held talks in recent months with Apollo Global Management LLC that failed to result in a deal. The specter of buyouts returning has prompted analysts and traders to dust off computer spreadsheets that seek to identify potential targets, allowing credit-swap investors to hedge against losses or find alternatives to buying shares to profit from mergers and acquisitions.”

- The *South Florida Business Journal* reports that Winn-Dixie has opened its South Miami store, which it says “exemplifies the company’s overall effort to offer customers an enhanced shopping experience, comprising an emphasis on service, upgraded departments and expanded features” such as expanded fresh foods departments, Hispanic offerings, and natural, organic and gluten-free items.

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- Oklahoma-based Homeland Stores announced that it is adopting the Guiding Stars nutritional labeling program in its 72 units, which uses a proprietary algorithm to analyze every product in the store and then assign one, two or three stars to products that are good, better and best for you.

Guiding Stars was begun by Delhaize's Hannaford Bros. chain, has been extended to its Food Lion and Sweetbay operations, and currently can be found in more than 1,500 stores nationwide.

- Costco CFO Richard Galanti said yesterday that it plans to open 29 new stores next year, up from the 13 opened during the previous year.

- The *Wall Street Journal* reports that Target is planning a Canada invasion of as many as 200 stores over the next decade, which would represent its first foray outside the U.S. The first units are expected to open in 2014.

The MNB Walmart Watch

- *Forbes* reports on how Walmart "is teaming with Humana, the second largest provider of Medicare benefits in the U.S., to offer a program to Medicare beneficiaries that will make drug coverage available through Walmart's network of low-cost pharmacies.

"The price for the coverage to be introduced this week is a low \$14.80 per month – a full fifty percent less than the average premium cost for similar programs in 2010 ... They are gambling that their lower prices will boost business for both participants and make up in volume what they lose in margin."

- Walmart announced that it has teamed up with Worldwise, an environmentally oriented CPG company, "to bring the latest generation of environmentally responsible products to consumers nationwide. Under this partnership, Walmart will provide Worldwise with recyclable waste materials that will be turned into a variety of pet products for sale at Walmart starting in October 2010."

The companies said that bottles are being recycled into dog beds, hangers are being turned into cat litter pans, scoops, and scratchers, bags are being converted into cat litter liners, and corrugated cardboard is being processed into cat scratchers.

Executive Suite

- Walgreen announced that it has hired Jeffrey Berkowitz, most recently senior vice president of global market access for Merck & Company, to be its new senior vice president of pharmaceutical development and market access, responsible for "the overall pharmacy contracting strategy for the company, both on the pharmaceutical manufacturing side and on the retail payer side. As a member of the senior management team, he will assume leadership for identifying and cultivating strategic external relationships and will oversee key initiatives with pharmaceutical manufacturers that will add to the company's growth."

- Supervalu announced that Tim Lowe, the senior vice president of its Shoppers Food & Pharmacy chain, has been promoted to the chain's presidency.

- CVS Caremark announced yesterday that it has promoted Jonathan Roberts, currently in charge of prescription purchasing, pricing, and network relations, to be the new COO in charge of the Caremark pharmacy benefits management business, a new position.

- United Fresh announced that it has hired Dr. Barry A. Eisenberg, formerly head of technical services for River Ranch Fresh Foods, as its new vice president, food safety services, responsible for developing education programs, training and individualized expert support to help companies in their food safety planning, operations and compliance with best practices and regulatory standards.