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Thanks to MNB
for this selection of
articles.

Walmart Maneuvering For New York Entry

The *Wall Street Journal* reports that Walmart “is in advanced discussions” with New York City’s politically powerful construction unions, hoping to get a deal “to construct new stores using unionized construction workers, who would in turn support the retailer’s local entry, multiple people familiar with discussions said.”

This is seen as a divide-and-conquer political ploy, since Walmart’s “effort is still being fiercely resisted by unions that represent retail and grocery store workers, among others, who protest Wal-Mart’s low wages. The plan will be the subject of a City Council hearing scheduled for January.”

No specific locations have been identified, but Brooklyn is seen as a likely point of New York entry for Walmart.

A&P Files For Bankruptcy

The Great Atlantic & Pacific Tea Co. (A&P) filed for bankruptcy protection on Sunday, unable to cope with debt, facing declining sales and profits showing no sign of a turnaround, still adjusting to a game of executive suite musical chairs, dealing with increased competition from the likes of Walmart and Target, and looking for any and all ways to create breathing room that will allow it to survive.

According to the *Wall Street Journal*, A&P “listed total debts of more than \$3.2 billion and assets of about \$2.5 billion in a petition filed in bankruptcy court in White Plains, N.Y.

The grocery chain secured \$800 million in so-called debtor-in-possession financing from J.P. Morgan Chase & Co. to keep it afloat during bankruptcy proceedings ... A&P also had about \$13 million in interest payments due to unsecured creditors Wednesday...and wanted to preserve that money rather than pay it to those that would be lower down in the payment pecking order during bankruptcy proceedings.”

The *Journal* also writes that “a person familiar with the situation said A&P’s inability to negotiate concessions from its main supplier, C&S Wholesale Grocers Inc., contributed to the chain’s decision to seek bankruptcy protection.”

A&P was founded in 1859. At one point, in the 1930s, it had 1600 stores.but today it has about 400 stores operating under several banners. The company has been closing and selling stores in recent months, but the efforts seem to have been too little, too late.

“We have taken this difficult but necessary step to enable A&P to fully implement our comprehensive financial and operational restructuring,” said Sam Martin, the company’s current CEO, in a prepared statement.

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Jake Brace, a onetime United Airlines executive, has been hired at A&P's new chief restructuring officer.

Crain's Detroit Business writes that the bankruptcy filing is likely to "hit metro Detroit landlords hard" because of all the A&P-owned Farmer Jack stores that remain closed but under long-term leases, many of which run well into the next decade. "Over the summer, A&P sent landlords letters indicating it will no longer pay rent on the long-term leases," *Crain's* reports. "As a result, there are 25 ongoing lawsuits filed by retail store owners who have not been paid. In addition, a retail broker hired to do work for A&P has also filed suit for not being paid.

"According to a *Crain's* analysis of the lawsuits, it would cost A&P more than \$150 million to pay the total rent owed for the remaining years left on all of the leases."

And, the *New York Post* writes that the big winner in all this tumult could be investor Ron Burkle and his Yucaipa Cos., which "has scooped up 'a lot or most of' the secured portion of A&P's massive debt load, whose face value now exceeds \$1 billion, according to one source close to the situation.

"That puts Burkle in position to take the reins of A&P from the Germany-based Tengelmann family, which has controlled the company for years -- since taking an initial stake more than three decades ago. In July 2009, the Tengelmanns allowed Yucaipa to buy \$115 million of A&P's preferred shares, giving it a 27.6 percent equity stake.

"While that investment will likely be wiped out, an A&P bankruptcy filing 'is not necessarily bad' for Burkle, said a source close to the situation, who noted that Burkle's recent purchases of A&P's debt, at a steep discount, will give him sway over a bankruptcy process."

Sansolo Speaks: "Even Rich Shoppers Get the Blues" *by Michael Sansolo*

Ignore for a second the on-going political debate about tax cuts and shift to this: how much money does it take for people to feel well off? And if so, what does that tell you about your shoppers and their desire to find value?

The *Washington Post* ran an article this past weekend examining the financial fortunes of families earning \$250,000 per year, the threshold of wealth that was the fulcrum of the recent tax cut debate. There was a time that couples earning a quarter of a million dollars a year were easily classified as upper class economically or simply rich. The *Post* carefully examined the cost of living for these families in the Washington, DC, area and in other relatively affluent areas around the country to see how well they are really doing today.

The bottom line was that even at \$250,000 people can struggle.

Simple statistics tell us that the vast majority of you reading this article today might have little sympathy for these families because you earn far less than \$250,000 per year and are having struggles of your own. As the *Post* says, "By any measure, a \$250,000 household income is substantial. It is six times the national average household income and just 2.9% of couples earn that much." In fact, most Americans have little hope of ever earning that much money in a year.

In part, the challenges these families have balancing their costs are due in part to their lifestyles including the size of their homes, the quality of their cars and even some of the assorted costs of child care, education and more. Many of you would love to have those problems.

But these are problems nonetheless and that means even well-off people struggle to achieve financial security. And that means they come into supermarkets, one of the expenses they, too, face each week, with some sense of economizing on their minds, which is the issue we have to consider.

The sad truth is that every group of shoppers is coping with some sense of economic insecurity these days, which means that economizing and value hunting rule all the aisles. More than two years into the current economic situation the pressure we see from shoppers for price cutting, sales and

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budget shopping is only growing stronger. The *Post* article only reminds us that the situation impacts every demographic group, as even the well-off feel stressed.

What's more, the situation could actually get worse. While there are some (but sadly few) positive economic signs for the coming year, there are many issues for worry heading into 2011. Prices are starting to rise on everything from petroleum to basic grains, all of which means there will be pressure for prices to rise on the vast majority of products in the supermarket.

Yet, shoppers are likely to be more resistant than ever to higher prices, more willing to trade off to lower priced choices and more aware of where and when these changes have to be made. In other words, today's tough competitive situation is only likely to get tougher.

That's probably not the news you were hoping for today, but that's the news. The only question is what you'll do about it in a time when even the wealthy feel insecure.

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](#).

Costco Plans Third Aussie Store As Part Of Global Expansion

The *Sydney Morning Herald* reports that Costco plans to open a third store in Australia by 2012, following up on one opened in Melbourne in 2009 and a second currently being built in Sydney. No word yet on the location of the third store, but Brisbane is mentioned as a likely location.

The move, according to the paper, heightens Costco's "credentials as a new major force in retailing by tackling the dominance of sector heavyweights Woolworths and Coles."

According to the story, "The American giant has discovered it can reap faster growth rates from its offshore supermarkets than those in its home market, with premium profits coming out of Asia intensifying the company's appetite for further sites in the region as well as Australia ... Costco chief financial officer and executive vice-president Richard Galanti said the company hoped to open 27 stores over the next year, of which nine would be outside the U.S. and Canada. Asia would be home to the bulk of the new international openings, with two each in South Korea and Taiwan, and three in Japan."

When It Comes To Toy Prices, Walmart Isn't Playing Around

Bloomberg reports that Walmart "raised prices on hundreds of toys this month, squeezing more out of sales during the biggest shopping period of the year.

"Wal-Mart managers in the U.S. received instructions to mark up an average of 1,800 types of toys per store, according to a company e-mail dated Nov. 30 obtained by Bloomberg News. The e-mail didn't disclose specific increases. The prices were changed 'to better enable your store and the company to have a successful financial month,' according to the e-mail ... The move may help Chief Executive Officer Mike Duke fulfill his October prediction that sales in U.S. stores open at least a year will be positive this quarter, after six straight drops."

According to the story, "The price increases were due to temporary discounts on products, including toys, that ended Nov. 30, Ravi Jariwala, a spokesman for Bentonville, Arkansas-based Wal-Mart, said in an interview. He declined to elaborate on the message's reference to a successful financial month."

Target Doubles Down On Food Expansion Efforts

The *New York Times* reports on how Target "has expanded to include fresh groceries like steak, chicken, eggs and apples. So far, 350 of the 1,752 Target stores nationwide have been reformatted to include the new food layout, and the company expects to add the arrangement to additional stores

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at the rate of about 400 a year.

“The campaign to market fresh food includes direct mail, billboards, television, radio and vehicle wraps, among other elements. The ads focus in part on the three daily meals that could be put together with a trip to the store, and the company hopes its efforts will resonate with mothers, who are a prime target of the campaign.”

What’s interesting is that Target is focusing on a kind of shopping trip that may not always be seen as compatible with its large store format - the quick, convenient shop.

“The concept is built around the notion of fill-in trips and convenience trips,” Will Setliff, the vice president for marketing at Target, tells the *Times*. “There’s a real need for convenient and affordable grocery options.”

The marketing has been aggressive and at times unorthodox. In Chicago, for example, the “campaign included a food truck parked on Michigan Avenue giving away gift bags of groceries and recipes that visitors could make with the ingredients in the bag. In front of the truck, which was decorated to look like an enormous shopping bag filled with larger-than-life bananas, broccoli spears and tomatoes, Giada De Laurentiis, the celebrity chef, gave live cooking demonstrations and handed out signed copies of her book ‘Giada at Home.’ Target also distributed 500 free copies of Ms. De Laurentiis’s book.”

Rite Aid Sees Sales Bump From Grocery-Drug Combo Format

Forbes reports that Rite Aid’s partnership with Supervalu, which added Save-A-Lot- style grocery sections to 10 South Carolina drug stores, has largely been a real success, laying the groundwork for further expansion.

According to the story, “CEO John Standley told analysts Thursday during a conference call to discuss quarterly results that sales for the front-end, or non-pharmacy areas, of these stores have doubled on average. Some stores have even seen their front-end sales triple, although margins can be lower thanks in part to products like perishable items. He said the company needs a few more months to understand the economics of the concept.”

Standley said the format could be a powerful concept for urban markets. “I think it could be” he said. “And I think it’s real exciting to take a store that was a low volume store that was doing \$20,000 a week on the front end and make it do \$60,000 or \$70,000. That’s a pretty good answer for us, and we have some real estate that fit this demographic very nicely.”

FastNewsBeat

- Published reports in Canada say that Safeway there is replacing Starbucks kiosks in four locations with Tim Hortons shops. The change was made because the in-store Starbucks were competing with nearby freestanding Starbucks; Safeway currently has 162 Starbucks kiosks in Canada, out of its total of 213 stores.

Executive Suite

- Kroger Co. said Friday that Geoffrey Covert, the president of the company’s Cincinnati/Dayton Division for the past six years, has been named Senior Vice President of Retail Operations, effective January 1, 2011.
- Schnuck Markets reportedly has hired Robert J. Howard, a CPG company veteran, to be its new vice president of marketing.
- The *Oregonian* reports that Lisa Sedlar, president/COO of Portland, Oregon-based New Seasons Markets, has been promoted to the position of CEO, succeeding Brian Rohter, a co-founder of the 10-store chain.

Rohter reportedly also plans to retire from his chairmanship next month. No successor has yet been named.

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- The Kroger Co. has named Sukanya Madlinger to be the new president of its Cincinnati/Dayton Division, succeeding Geoff Covert, who was named Kroger's senior vice president of retail operations earlier this month.