

-Week Ending 12/30/11-

Below is the list of articles you will find for the week ending 12/30/11 edition of Retail Industry News.

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- **Costco's Old And New CEO On The Present And The Future**
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Thanks to MNB
for this selection of
articles.

Whole Foods' Mackey: On Surviving The Recession And Income Inequality

In Texas, the *Austin American-Statesman* has an interview with Whole Foods CEO John Mackey, in which he talks about how the company has "roared back from the recession, rebounding in sales and profits and once again becoming a Wall Street darling."

Some excerpts:

- *How Whole Foods did it...* "We threw ourselves into the task of making the shift from strong growth to a sudden recession: We cut spending, slowed and reduced new store openings, and made sure we had enough cash in the bank.

"We renewed our focus on value, and really worked to show everyone that we have great prices throughout our stores. We also increased our innovation and introduced several new programs to differentiate ourselves from our competitors. Some of these include our 5-Step Animal Welfare Rating Program, our Seafood Sustainability Program and our healthy eating and wellness initiatives."

- *What Whole Foods learned...* "To minimize our debt and to make sure there is a lot more cash in the business than we think we might need...we've become much more conservative in managing our capital and preserving our cash and liquidity."

- *Regarding 'income inequality'...* "For me, I think the issue is less about inequality in the distribution in income and more about the inequality in the distribution of free market capitalism, of economic freedom.

"I think they're partly protesting against a kind of capitalism that I don't believe in either: 'crony capitalism,' whereby some businesses get special deals with the government, such as many Wall Street companies received with the financial bailouts.

"I was opposed to these bailouts, and I believe that crony capitalism is doing great harm in our society and we need to do everything we can to root it out.

"However, I'm also a very strong proponent of 'conscious capitalism,' which I believe is where the future of business is headed.

"When business is done consciously with a higher purpose and it works to create value for all of its major stakeholders — customers, team members, suppliers, investors and the larger community — it is a very beautiful and good thing."

Costco's Old And New CEO On The Present And The Future

The *Seattle Times* had a couple of stories over the weekend about Costco's changing leadership, which takes place in January as Jim Sinegal retires and is succeeded by Craig Jelinek.

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Some excerpts:

- *Jelinek on whether he might change corporate policies on pay and benefits...* “We're not going to change it.

“Now it's fashionable to pay good benefits if you can, and we get credited for something people used to say was a no-no. Nothing changed about the way we did business. We just stayed to our principles — it's what we do, take care of customers and employees and the people who are selling us merchandise, because it's important that your suppliers make money.

“You need to run your business for the long term, and the only way you're going to be around for the long term is if you take care of employees and customers. If you don't, bad things are going to happen to you.”

- *Sinegal on pay and benefits...* “It's not altruistic. This is good business, hiring good people and paying them good wages and providing good jobs for them and opportunities for a career. If you accept the premise that we pay the highest wages in our industry [hourly workers average more than \$20 an hour, including bonuses] and have the richest health care and benefit plan in our industry and the lowest price on merchandise and run the lowest-cost operation, then it must follow we're getting better productivity.”

- *Jelinek on his new role as CEO...* “My view is your first responsibility is to protect your customer, to continue to have the best value possible out there for the customer. You have to protect your employees. The last thing I want to do is become a casualty like [some other] companies.

“The only way that will happen is if you start to change your core values of what you represent. If you start to do that, you'll start to have distrust with employees about who you are, and you'll start to change the culture of your company. That's the one thing that you don't want to do.”

- *Sinegal on the future...* “I would hope that 10 years from now, Costco would have sales of probably close to twice what they are right now and that they're significantly more profitable and that we have an even bigger presence internationally than we have today, that we have twice as many members shopping with us, and that we have established ourselves as a leading consumer advocate in the countries where we do business.

“We think our mere presence in a community lowers the price of goods for everybody, even if they don't shop with us, because competition is a very good thing. Sometimes we moan about competition, but if we didn't have good competitors out there, we would get very lazy and not be a very good company.”

Bi-Lo To Acquire Winn-Dixie And Take It Private For \$560 Million

Winn-Dixie Stores announced yesterday that it is going private, selling the company to Bi-Lo LLC for \$560 million.

According to the *Wall Street Journal* story this morning, Bi-Lo will pay \$9.50 per share for Winn-Dixie shares, “a 75% premium to its Friday close, at which time the stock was down 24% so far this year.”

Bi-Lo, which is owned by private equity group Lone Star Funds, currently operates 207 supermarkets in North Carolina, South Carolina, Georgia and Tennessee, while Winn-Dixie has 690 grocery stores in eight Southeastern states. The announcement says that there is no overlap between the two companies, and hence there should be no regulatory hurdles to overcome.

“With no overlap in our markets, the combined company will have a perfect geographic fit that will create a stronger platform from which to provide our customers great products at a great value, while continuing to offer exceptional service,” says Bi-Lo Chairman Randall Onstead.

As the *Journal* notes, “Both companies had faced difficulties over the past few years, with Winn-Dixie filing for Chapter 11 bankruptcy protection in February 2005 and emerging a year later with hundreds fewer stores. Bi-Lo filed in



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2009 as a result of maturing debt and exited a year later.”

The two companies say no decision has been made about leadership positions at the newly combined company, which will continue to operate under both banners.

The deal is expected to close within 120 days.

Sansolo Speaks: Back to Basics *by Michael Sansolo*

It's fitting that Kevin's Eye-Opener last week about his local bookseller is generating one of the last big MNB discussions of 2011. Because while many of the stories covered here throughout the year were so complex, that one story gets back to what it's all about:

How can a company, a store or an individual stand out and succeed in the crazy market in which we operate today?

In many ways, the keys remain as simple as ever, which is a fitting end to this or any other year. The fundamentals of good business can be found anywhere and need time in the spotlight to remind everyone why they matter so.

On Monday, the *Washington Post* highlighted a great example in Total Wine & More, a stunningly successful retailer that is inexplicably based in the suburban town I call home. Total Wine's story of growth to 78 superstores grossing in excess of \$1 billion from a single store grossing \$300,000 is a checklist of key steps every company must take.

Total Wine is the brainchild of the Trone brothers, who actually grew up on a family farm and cut their teeth in retail through a small beverage shop owned and run by their mother. Thirty years later they have 2,700 employees and stores up and down the east coast.

The brothers' steps were incredibly simple. They built their original business by taking a laser focus on cost cutting in every aspect of daily operations to keep themselves running in the black. That allowed them to cut margins, which in turn allowed them to build sales volume. It was the classic virtuous cycle of efficiency leading to lower prices, extra sales, greater efficiency, more sales and so on...

They recognized the realities of selling wine, beer and spirits and understood they had to learn a lot about regulations, licenses and more. So unlike many small businesses they threw themselves into the business of getting to know government officials and regulators. That enabled them to work for flexibility in legislation and regulations on their stores and products, which then created its own virtuous cycle allowing additional selection and an improved shopping experience.

Lastly, they embraced all aspects of their business to make sure it is a singular shopping experience. Each of the company's stores has a classroom where customers and employees can learn about new products and hear speakers. In addition, store employees wear headsets that enable them to quickly communicate and get answers to any customer's questions.

Simply put, they thought small when it came to the details, but big when it came to growth.

Interestingly enough, Yahoo! news on Monday featured an article on the humble beginnings of many of today's most successful technology companies. The article included photos of the suburban garage where Steve Jobs and Steve Wozniak built their first Apple computer or the similar space where Sergey Brin and Larry Page created Google. Like oak trees, huge companies grow from acorns, especially when those companies are supported by inspiration and hard work.

Sure, 2011 was incredibly complex in so many ways and 2012 promises more of the same. Economic realities remain brutal. The demographics and values of our associates and customers are changing constantly and in stunning ways. Technology is reshaping how we communicate, connect and more. And

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all the old headaches from competition to regulation promise to be just as challenging in the year ahead as ever.

That's when stories like Total Wine matter most as a reminder to focus on what you can control, to collaborate when it's the best option and to make the customer experience better than ever. Nothing less will do.

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

Dollar Stores Said To Be Having A Green Christmas

The *Los Angeles Times* reports that "dollar stores have evolved into a go-to spot for holiday shoppers on a tight budget or trying to get more value for their money. In contrast with the often dingy spaces they once occupied, many have undergone renovations and are stocked with a bounty of Christmas trees, wrapping paper, toys and inexpensive electronics for the holiday season. Some even carry steaks.

"With the job market and economy still unsettled, dollar stores are predicted to perform robustly as shoppers of all incomes flock there to pick up cheap decor and presents. For the fourth quarter, the category is expected to post a sales increase of 4.2% or higher at stores open at least a year, according to business data firm Thomson Reuters."

FastNewsBeat

- *Forbes* reports that comScore is out with new data saying that "for the first 46 days of the November – December 2011 holiday season, online spending increased 15 percent year-over-year to \$30.9 billion ... The most recent work week (Dec. 12-16) saw four days surpass \$1 billion in online spending, led by Monday, December 12 with \$1.13 billion and Friday, December 16 (known by the online retail industry as "Free Shipping Day") with \$1.07 billion ... Free Shipping Day, now in its fourth year, is a one-day, online-shopping event when thousands of merchants offer free shipping with delivery by Christmas Eve."
- The *Chicago Tribune* reports that Toys R Us "is giving last minute holiday shoppers a break this year, thanks to round-the-clock shopping right up until Christmas." The retailer said its stores all over the country "will stay open for 112 hours straight starting at 6 a.m. Tuesday, Dec. 20 and continuing through 10 p.m. on Christmas Eve" - the second year in the road that the toy retailer has done so.
- *Forbes* reports that chains such as Starbucks, McDonald's and Chipotle "are making efforts to go greener by sourcing natural ingredients and promoting recyclability. Such moves will increasingly have a greater impact going forward as regulations mandating sustainability are getting tougher. Moreover, these restaurants are likely to get future tax benefits as well.

"While environmentally friendly by these restaurants are unlikely to save on costs in the near term, they could pay off longer term as the input costs have soared for many restaurants. More importantly, an improved image in the eyes of the customers could be the ultimate pay off."

- Ruddick Corp., having sold its thread-making subsidiary, has informed the U.S. Securities and Exchange Commission (SEC) that it plans to change its corporate name to Harris Teeter Supermarkets Inc., its remaining business venture.

According to the proxy statement, the new name "better describes its current operating activities and long-term strategic focus than the current name."

Executive Suite

- Family Dollar Stores announced that Paul White, the company's senior vice president of Apparel, Home and Seasonal, has been promoted to the role of Executive Vice President -- Chief Merchandising Officer. White joined Family Dollar in 2011, and previously was president, CEO, and director of Goody's, LLC.