

-Week Ending 12/9/11-

Below is the list of articles you will find for the week ending 12/9/11 edition of Retail Industry News.

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Thanks to MNB
for this selection of
articles.

Roundy's To Raise \$230 Million Through IPO

Reuters reports this morning that Wisconsin-based Roundy's is seeking to raise \$230 million through an initial public offering (IPO) of its common stock.

The company says it plans to use the money to pay down \$800 million in accumulated debt.

Walmart Prepares For The Next War

Interesting story in *Fortune* about how although Walmart may have won, "hands down," the Big Box store battle, that may not really matter in terms of the company's future. Big box stores, the story suggests, are yesterday's news, and there remain major challenges facing the world's biggest retailer.

"In the war for online sales," the story says. "Wal-Mart's greatest adversary may be itself as it attempts to get its 3,800 U.S. stores and millions of employees working together with Walmart.com ... As online sales have soared overall, Wal-Mart shoppers have failed to flock to the web in any sizable number – online sales are estimated to account for just 2% of its revenue according to Deutsche Bank Securities, or about \$8 billion. By comparison, Amazon's revenue leapt 40% in 2011 from the year prior to \$34.2 billion.

"That's why Wal-Mart has a renewed focus on leveraging its massive bricks-and-mortar presence to re-invent itself online. That means pushing customers to pick up online orders at Wal-Mart's stores, crediting store teams with online sales to turn them into a digital sales force and potentially delivering items purchased online from the local Wal-Mart, hitting Amazon and other e-tailers on their speed of delivery. And it also means a hybrid of online apps and digital tools -- but only when they fold in with offline too."

Meanwhile, *Fortune* writes, "Wal-Mart is preparing for the end of the Big Box era. Although it still plans to open more stores in the U.S., even Wal-Mart notes these 'are smaller than the larger Supercenters we've built in the past,' said Karen Roberts, president of Wal-Mart Realty during its shareholder and analyst call in October. And this comes as pure-play e-tailer Amazon launched its first storefront called Beauty Bar in Long Island, NY this fall. While not branded Amazon, it's a toe in the water towards a hybrid model that Wall Street is eyeing closely."

Sansolo Speaks: Fighting For The Future by Michael Sansolo

There's an old axiom that generals always fight the last war just as economists always battle the previous recession. The problem in both cases is that the past is gone and the new challenges of the day require a completely new approach, usually one that flies in the face of past experiences.

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So, beyond hoping that some economist has finally figured out a new approach to the current economic situation, let's consider one of the lead stories from Monday's edition of MNB: Walmart's developing strategy for the end of the big box era. And let's recognize that the folks in Bentonville are doing exactly what they must by walking past the very formula that fueled one of the greatest growth stories in the history of business.

It's not like they haven't done this before. It's been only 20 years since Walmart, then just recently crowned as the largest mass merchandiser in the U.S., jumped into selling food. I remember the scorn that greeted that move. There were countless voices claiming that Walmart didn't understand the challenges in selling produce, meat and all other supermarket products and therefore they were doomed to fail. The transition wasn't easy, but I'm betting Walmart would take a repeat of that success in a heartbeat.

Hopefully, everyone else has learned that a careful departure from your past success is critical to future growth. It's all about changing and evolving, not willy-nilly flights into businesses that you don't understand. (Yesterday's MNB also had a story about the on-going struggles at Carrefour. Let's remember that around the time Walmart jumped into food, Carrefour and other European hypermarket operators tried unsuccessfully to invade the U.S. market. Not every experiment is a good idea.)

Against that backdrop, I got an interesting note from my former FMI colleague Anne Marie Roerick down in Texas, where that state's dominant retailer, HEB, is quietly moving into new territory. For the second straight holiday season HEB has jumped into the toy business. No, HEB hasn't simply loaded up on seasonal specials in a grocery aisle. Instead, HEB is running three seasonal stores that are all about toys.

"We're always trying to innovate around retail to see what we can do that's different and better and that better serves our customers," HEB spokeswoman Dya Campos told the *San Antonio Express-News*. And Campos made it clear that the program is only growing. HEB, she said, will try "different things to make access point more convenient for our customers." That may explain why HEB Toyland is in two malls and one outlet center this year after having just two stores last year.

It's easy to make a simple case why HEB's Toyland is both a great and a bad idea. Sure it builds on a towering brand, especially in Texas, but then again, do shoppers really want to buy Legos from their favorite supermarket? Honestly, we have no way of knowing. If successful experiments brought guaranteed results we'd all be getting food from Webvan these days.

For every really good idea there are countless in the trash heap. The only real guarantee is that you can't sit still and look to the past because that's not where the changes come from. Two years from now, Walmart may be back to building big box stores or HEB may be trying to move unsold toy inventory. Or both might be reaping huge gains from these gambles. That's why you have to ask yourself, where should I go next?

One last thought on innovation and meeting changing consumer needs: We have an almost non-stop discussion at MNB about the power of new technology. Sometimes that opens up unexpected business opportunities. For example, on Amazon.com right now there are nearly 4,000 product suggestions for winter gloves made for iPhone users, so that people can work a touch screen while keeping their digits warm. (These gloves feature a conductive threading on the index finger and thumb.)

No one knows what opportunity tomorrow will bring.

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](#).

Wegmans Announces Third Boston-Area Location

The *Boston Globe* reports that Wegmans, which already has opened a store in Northborough, Massachusetts, and plans to open one in Burlington, Massachusetts, in 2013, now plans a third location, in Newton,



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Massachusetts.

What makes this one different is that at a planned 70,000 square feet, this Wegmans is roughly half the size of the stores it usually opens these days, and is the smallest it has opened in years.

"It is a new design for us, a new concept for us," Jo Natale, a Wegmans spokeswoman, tells the *Globe*. "It's a great location in a densely populated area that is close to Boston."

According to the story, "The Newton store will serve as an anchor for the Chestnut Hill Square project, a complex with 160,000 square feet of shops, offices, and luxury residences that's being built. The shopping district along this stretch of Route 9 - which features Bloomingdale's, The Capital Grille, The Cheesecake Factory, and The Container Store - has struggled in recent years. The Newton Wegmans will be built on the site of the former Omni Foods, which closed in 2006, six years after a fire in an adjacent office and retail complex killed five people.

"Across the street is The Mall at Chestnut Hill, which lost some prominent tenants, including jeweler Shreve, Crump & Low and clothing store Talbots. The nearby Atrium Mall has also experienced a number of high-profile store closings, including Williams Sonoma, Abercrombie & Fitch, and Borders Books and Music. And a Macy's department store along the shopping corridor shut down earlier this year."

Kroger Rated At Top Of Charitable Giving List

MainStreet.com reports on a new study done by the *Chronicle of Philanthropy* on the nation's most charitable companies.

According to the site, "To get down to the best of the best, MainStreet looks first at the five most generous corporations – those that gave more than 5% of their 2009 profits to charity in 2010. We then round up the five biggest donors – those corporations that gave the absolute most money to philanthropic causes last year."

The most generous corporation in the country was Kroger, which gave 10.9 percent of its 2009 profits to charity, or \$64 million.

Second was Macy's (8.1 percent, \$41.2 million), followed by Safeway (7.5 percent, \$76.5 million), Dow Chemical (7.3 percent, \$34.2 million), and Morgan Stanley (5.7 percent, \$55.6 million).

Rated just in terms of dollars, Walmart gave the most money to charity (\$319.5 million), followed by Goldman Sachs (\$315.4 million), Wells Fargo (\$219.1 million), Bank of America (\$207.9 million), and Exxon Mobil (\$198.7 million).

For One Retailer, Mobile Payments Get Real Traction

The *Seattle Times* reports that Starbucks has handled six million mobile payments in just the last nine weeks, or "double the volume of the first nine weeks after the system launched in January."

One in four Starbucks card transactions is now executed via mobile, the company says.

The company also says that it has handled 26 million mobile payment transactions since the program was rolled out nationally, with the largest percentage of usage coming in New York, Seattle, San Francisco, Chicago, and San Jose.

The company also says that "lately growth has also come from 'mobile gifting' using the 'eGift' capability of the company's iPhone app," with "mobile devices now account for 10 percent of the company's digital gift card business."

New Payment System Designed To Sidestep Credit Card Transaction Fees

Business Insider has an interesting piece about Dwolla, a Des Moines-based startup described as "an innovative online payment system that sidesteps credit cards completely" as well as facilitating B2B and person-to-payment



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cash transactions.

The company was founded by Ben Milne, a 28-year-old with no financial services background, “yet his little operation is moving between \$30 and \$50 million per month; it's on track to move more than \$350 million in the next year. Unlike PayPal, Dwolla doesn't take a percentage of the transaction. It only asks for \$0.25, whether it's moving \$1 or \$1,000,” which is appealing to both consumers and retailers who believe that banks are taking far too much in terms of transaction fees.

Two excerpts from an interview with Milne:

“We think, in the long term, sending money should be as easy and effortless as finding a friend on Facebook. That's really a behavior we try to mimic when it comes to peer-to-peer payments. When someone does not have a Dwolla account, they get a wall post that says, ‘You've got money.’ If a friend sent that to you and it was their name and their face, you would have a different emotional connection to that than an arbitrary email from hellokitten32@aol.com. It's a totally different interaction and one that's been really helpful for us in converting users into the system.”

“We do pretty well in B2B; 11% of our business is person-to-person, and the large majority is business-to-business, consumer-to-business, and business-to-consumer. The platform was originally built for taking in payments through websites, and we have APIs that allow you to do that. We haven't experienced the scale on those quite yet. Where we've seen a ton of transactions right now is with people paying monthly rent. If I'm a landlord and I want to collect it, taking a credit card payment means missing out on 3% of an \$1800 charge. Dwolla is \$0.25 cents.”

The MNB Wal-Mart Watch

- *Bloomberg News* reports that New York City Mayor Michael Bloomberg (who founded the media company before embarking on a political career) has come down in favor of allowing Walmart to open stores in New York City, saying that there is “enormous” demand and that citizens “should not say no” to Walmart.

FastNewsBeat

- The *Staten Island Advance* reports that Ahold-owned Stop & Shop is acquiring three King Kullen stores in the borough, a step seen as “a significant move to expand its presence on Staten Island,” where it already has two stores.

The sales of the stores marks King Kullen's complete move out of Staten Island.

- The *Wall Street Journal* reports that “companies would be able to call meat ‘fresh’ or ‘low-fat’ without getting government permission for the labels, under a proposal released Tuesday by the U.S. Department of Agriculture.

“Under the ‘generic label’ plan, aimed at reducing the work load of the USDA as well as red tape for food producers, officials said they hope to minimize the scenarios under which companies are required to get agency approval for product labels. A food producer would no longer need to get USDA approval to claim that its products are fresh, for example, or ‘Italian-style’.”

- *Quad Cities Online* reports that “customers at Hy-Vee Food Stores now can use aisle411, a mobile application that gives them a layout of the store and helps them find what they're seeking, down to the specific section of the aisle. The application, for iPhone and Android, as well as the Hy-Vee Foods iPhone application, takes in-store inventory data and floor maps, and makes them searchable and interactive.”

- *The Tennessean* reports that Dollar General plans to “turn its attention to targeting food deserts — areas not served by supermarkets or nearby grocers — in a bid to fill voids in many communities.” CEO Rick Dreiling told investors this week that the company's food market concept will “play an expanding role in the future of Dollar General.”

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Executive Suite

- Tesco said yesterday that its CEO in Asia, David Potts, will retire, and be replaced by Trevor Masters, who has been running the company's European business.

Masters is turn will be succeeded by Gordon Fryett, who will add Europe to his existing role of leading the company's property management strategy.

- *Reuters* reports that Tesco "has appointed Kevin Grace, a 30-year veteran of the firm, to the newly created post of group commercial director," with responsibility for group sourcing. "Grace, who has been a property services director since 2006 and has also worked for Tesco in South Korea and Poland, will report to group CEO Philip Clarke and join Tesco's executive committee."