



-Week Ending 3/5/10-

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Thanks to MNB
for this selection of
articles.

New Study Evaluates Shopper Spending Patterns

The New York Times has an interesting tidbit, quoting from a soon-to-be-published article in the *Journal of Consumer Research* about people's supermarket spending habits:

"The authors approached 175 people entering grocery stores, asking them what items they planned to buy and how much they planned to spend. The average shopper could name items totaling \$41.11, but reported a total budget for the trip of \$58.46, a near-perfect prediction of spending. That leaves \$17.35 that was mentally committed to the shopping trip but not put aside for any particular item."

The study concludes that when these shoppers walked down every aisle of the store, they tended to use up all or most of the reserve...but when they only visited aisles that had the products they were looking for, they walked away with money in their pockets.

Karen M. Stilley, a postdoctoral fellow at the University of Pittsburgh who helped write the study, says: "It's kind of crazy that there are people walking into the store, expecting to spend money, and the store is leaving it on the table."

Bashas' Reaffirms Goal To Stay Locally Owned

The *Arizona Republic* reports that Bashas' management "sent a letter to its employees Friday reaffirming its intent to remain locally owned in the face of an unsolicited purchase offer by Albertsons LLC. The letter also said there is no hostility between the companies and that Bashas' officials are not meeting with Albertsons or anyone else behind closed doors to discuss a sale."

Bashas' filed for bankruptcy protection last summer and has filed a reorganization plan with the courts that would pay off its \$300 million in debt. The bankruptcy court is scheduled to rule on the plan in early April.

Sansolo Speaks: "The Importance of Effort"

by Michael Sansolo

No doubt there will be some point today or this week when you, an associate or even a family member will need a reminder as to why giving up is never a great strategy. Well, the world handed us a great lesson and it's one we shouldn't pass by easily.





Pause for a second and remember Anna Friesinger-Postma. And your lesson is done.

While the Olympics coverage always features a litany of memorial and moving stories (is there any athlete who doesn't have one?) Postma's was a story built on herself and her effort. But in a matter of seconds Postma demonstrated why even trying in a lost cause can matter so dearly.

Postma was one of three German speed skaters in something called the women's pursuit. In that race, two teams charge around the ice to see which can finish first, but the most important rule is this: a team's time is measured when their third and last skater crosses the finish line.

In Germany's semi-final against the United States it was clear that Postma was going to be that third skater. With a large lead and less than 250 meters to go, Postma suddenly stopped skating well. And as she completed the lap, her form kept going from bad to worse. The problem wasn't with Postma, but rather with the spring in her skate. It broke, which meant she was dragging one semi-useless skate around with her.

Entering the home stretch and with her team's lead evaporating quickly, Postma made a last ditch choice throwing herself down the ice, which allowed her to slide across the finish line. Incredibly she beat the third American skater by six one-hundredths of a second.

What made the story better yet, was that in the finals Postma, skating with functional equipment, helped Germany win the gold medal. It's a race they should not have been in had Postma not fought on with her broken equipment one race earlier.

After the race, longtime MNB reader Scott Young of Coca-Cola commented to me that Postma just provided a perfect speech...and a perfect column. Because she provided a perfect lesson.

We always need to remind ourselves, our teams and our families that things go wrong. The unexpected happens with great frequency and it's rarely a welcome occurrence. And when that happens we have two choices: to give up or to find a way to do whatever we can.

Honestly, it won't always work out like Postma's effort did. In most cases, the skater will finish short of the line or will lose the race. But if we don't try we never know what will happen.

So have a discussion with someone about Anna Friesinger-Postma, or download the photo of her lying on the ice and use it as a constant reminder.

Bad stuff happens all the time. It's what you do next that matters so much more.

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 CFO Appraises The Club Business Model

There is an interesting interview in *CFO Magazine* with Costco CFO Richard Galanti, in which he makes a number of salient observations about the membership warehouse club. Some excerpts:

- "There were two questions for us at the beginning of the downturn. One, were customers still willing to pay a fee to shop? Two, would they still come to Costco, which is a little farther away from the local supermarket, discount store, or drugstore? In fact, the one thing that increased dramatically over the last 12 or 14 months was the frequency of shoppers. Were people spending less? Yes. Were they more discriminating in terms of what they were buying? Yes. Were categories like jewelry, home furnishings, and bigger-ticket discretionary items the weakest? Absolutely. But whatever the level of sales decline, it was less than it was for traditional retailers."
- "Years ago, when we stubbed our toe and announced that we were going to miss earnings for a quarter, an analyst put out a





report on Costco with the subtitle, 'It's better to be an employee or a customer than a shareholder.' [Laughs] Wal-Mart is a great company and gets picked on more than it deserves. Certainly it has a lower wage structure and lower benefits, but that's improved some. We have a different [business] model. It's based on high volume, catering to businesses and more-affluent customers. We've figured out an efficient way that we can pay our people more and still drive down expenses as a percent of sales."

- "Our average hourly wage in the United States is a little over \$19 an hour. Our lowest starting wage in the U.S. is \$11. If you're a full-timer, you hit the top of the scale by the end of your fifth year ... If you provide a living wage and affordable, quality health care, you'll get the best employees, which in the long term makes business sense as well."
- "I doubt if we will ever be in all 50 states, at least not in the next five years ... There are some states that are smaller, where if somebody else is already there, there's not a whole lot of opportunity left. We're not rushing to go to Arkansas, where Wal-Mart is headquartered. That being said, we think there are still a lot of possibilities to increase penetration in many of the markets that we're in, and we will probably be in two or three more states over the next few years."

Kroger Tests "Health Matters" Program

In Kentucky, the *Herald-Leader* reports that Kroger Co. is testing a nutritional initiative at 23 stores that includes "easy-to-understand nutritional shelf tags on a majority of products, dietitians on site to assist customers and a new health station — think the old-style blood pressure machines but with many advances."

The labeling system is the NuVal program, which evaluates every product in the store and rates them on a scale of 1-100 based on a proprietary algorithm.

The story notes that "Kroger is bringing registered dietitians in to offer scheduled tours with shoppers to help determine their individual needs. Some tours to be scheduled will focus on children. Kroger also is organizing monthly events including 'Healthier Meal Maker' in April and 'Cruising the Aisles with Kroger' in May.

"The program also includes what Kroger has dubbed LUCY. That's the LC600 Health Station, a machine that allows customers to determine weight, body mass index, blood pressure, pulse, blood oxygen and more."

The story says that if the "Health Matters At Kroger" program is successful, the retailer could roll it out nationwide.

Tops Sells Six Old Penn Traffic Stores To Price Chopper

Tops Friendly Markets announced yesterday that it has entered into an agreement to sell six recently-acquired Penn Traffic stores to Price Chopper Supermarkets of Schenectady, N.Y. These stores were part of the January 29, 2010 bankruptcy court-approved acquisition of a majority of Penn Traffic's assets.

"As part of our initial evaluation of all Penn Traffic locations, it was determined these stores were on the outer edge of our geographic footprint and would best be served by another retailer with more familiarity with those markets," said Frank Curci, Tops' president and CEO.

Five of the six stores are located in northern New York State. They include Canton, Gouverneur, Massena, Potsdam, and West Carthage. There is one store located in Lincoln, N.H.

The transaction is expected to be complete in approximately 30 days. Terms of the sale were not disclosed.



FastNewsBeat

- The *Danbury News Times* reports that Wakefern Food Corp., the New Jersey-based retail cooperative that bought 11 Shaw's stores in Connecticut, picked up two new members to operate three of them.

According to the story, "Joseph Family Markets LLC will operate the old Shaw's in Canton and West Hartford, and Miller Farms Family Markets will operate the Enfield Shaw's."

- In western New York, the *Post-Standard* reports that Penn Traffic Co. - just acquired by Tops Markets - lost \$10.5 million in January prior to the deal closing, creating issues that could force Tops to close more than the four stores that it has said it will shutter.

Tops bought Penn Traffic's store assets for more than \$85 million after the company entered its third bankruptcy last November.

- Safeway announced that it will "become the first U.S.-based retail grocery chain and manufacturer of private label merchandise to join The Sustainability Consortium in support of the organization's science-based work toward a more sustainable global supply chain. The company joins other retailers and consumer product manufacturers that have become members of the Consortium and its product 'life cycle' mission including social and environmental considerations."

According to the story, "Safeway is interested in aggregating the data for primary sectors such as agriculture, dairy, packaging and fishery through industrial food processing to retail delivery. This data will be leveraged in creating Safeway's company-wide supply chain policy encouraging sustainable purchasing and manufacturing practices throughout the organization's direct and indirect buying ... Safeway will play a leadership role in modeling life cycle inventories; the goal is to better understand the complete scope of industry's social and environmental footprint."

- The *Los Angeles Times* reports that on a new study, published in *Health Affairs*, saying that "from 1977 to 2006, American children have added 168 snack calories per day to their diets, a study finds. They're munching cookies after school, granola bars on the way to piano lessons, chips after an hour of soccer practice and peanut butter and crackers while waiting for dinner. For some, those extra 1,176 calories a week could amount to as much as 13 1/2 pounds of body fat a year," and account for as much as 25 percent of their daily calorie intake.

The Balance Sheet

- Publix Super Markets reports that its annual sales for 2009 were up 1.6 percent to \$24.3 billion, compared with \$23.9 billion in 2008. Same-store sales were down 3.2 percent, while new-store sales were up 4.8 percent. The retailer's net earnings were \$1.16 million, compared with \$1.09 million in 2008.

- Costco Wholesale said this morning that its second quarter profit was \$299 million, up from \$239 million during the same period a year ago. Q2 sales were up 11 percent to \$18.36 billion, excluding membership fees, which rose about 9 percent to \$386 million. Same-store sales in the quarter increased 9 percent.

- United Natural Foods said yesterday that its second quarter earnings were up 15 percent to \$15.7 million, up from \$13.6 million during the same period a year ago. Q2 revenue increased six percent to \$898 million.

- BJ's Wholesale Club reports that its February sales were up 12.8 percent to \$755.2 million, from \$669.6 million during the same period a year ago, on same-store sales that were up 7.7 percent.

- Walgreen Co. said that its February sales reached \$5.31 billion, up 3.2 percent from \$5.14 billion during the same month in 2009, with same-store sales up 0.4 percent.

- Target Corp. said that its February sales were \$4.6 billion, up six percent from \$4.3 billion during the same month a year ago. Same-store sales were up 2.4 percent.





- Wal-Mart de Mexico reports that its February sales were the equivalent of \$1.64 billion, up 11 percent from the same month a year earlier, on same-store sales that were up 4.5 percent.

Executive Suite

- Starbucks announced that Bernard Acoca, formerly senior director-digital marketing for Pizza Hut, will join the company as VP-US marketing.