



-Week Ending 3/27/09-

Below is the list of articles you will find for the week ending 3/27/09 edition of Retail Industry News.

- ▶ Las Vegas Blog: Reporting In From The IRI Summit 2009, Day Two
- ▶ Las Vegas Blog: Reporting In From The IRI Summit 2009
- ▶ Reporting In: The Content Guy Visits The Newest Fairway Market
- ▶ A&P Expands Private Brands Program
- ▶ Supervalu Debuts New Meal Solutions Initiative
- ▶ New Products Continue To Generate Excitement, Sales
- ▶ Sansolo Speaks: No Time For Old Habits
- ▶ Bi-Lo Files For Bankruptcy Protection
- ▶ Report: Green Products Continue To See Growth
- ▶ FastNewsBeat
- ▶ The MNB Wal-Mart Watch
- ▶ The Balance Sheet
- ▶ Executive Suite



Thanks to MNB
for this selection of
articles.

Las Vegas Blog: Reporting In From The IRI Summit 2009, Day Two

LAS VEGAS -- More random notes and comments from "Content Guy" Kevin Coupe from the annual summit sponsored by Information Resources Inc. (IRI), that took place Tuesday and Wednesday at the Wynn Las Vegas...

• Perhaps it is because the discussion connected so clearly with the editorial mission here at MorningNewsBeat, but one of the best sessions I've seen in some time came when Thom Blishock, IRI's president of consulting and innovation at IRI, brought to the stage four "Blogger Moms" who run various websites in which they talk to moms all over the country, provide a forum for discussion of relevant issues, and offer companies a unique opportunity to get insights about how their customers see their products and services.

These women are representative of, and give voice to, hundreds of thousands of women all over the country. And they hardly are a homogenous group...in the space of just 30 minutes, they expressed a variety of opinions and perspectives.

For example, "a lot of women are embracing private label," said Alma Klein of www.marketingmommy.net and www.chicagomomsblog.com, "because they are not the...generics that our moms brought into the house that we were embarrassed about." However, she added, there are limits: "I would never buy no-name shampoo from a dollar store because I am not convinced it is going to work."

Christine Young, a mother of six, of www.fromdatestod diapers.com said that she believed that brand loyalty was selective, and said that she was intensely committed to Johnson baby products (and was even before the company hired her to be a spokesperson for the brand). But she also said she felt the same kind of loyalty to another brand – Kirkland products at Costco, which is, of course, a private label.

And Liz Gumbinner, of www.mom-101.blogspot.com, said that as a former ad agency creative director she remains firmly committed to the power of brands, suggesting that it is only brand equity that helps a company survive when its products are found to be contaminated with cyanide or melamine.





The “Blogger Moms” agreed that transparency was an enormous issue for them. “We want clear labeling,” said Lynnae McCoy of www.beingfrugal.net. “If you are using GMOs in your products we want to know about it ... we get to make the decision...if we find out about it later, we'll feel like we can't trust you anymore.”

Klein pointed to the practice of shrinking product sizes and charging the same price – hoping that customers won't notice – as a major pet peeve. “It gets people angry,” she said. “Be up front .. show us some respect, and maybe we'll show more respect for you.”

Another point of agreement – high fructose corn syrup (HFCS) is going to be the next trans fats of the food industry, and food manufacturers better get used to the idea.

“The relationship between brands and consumers is about to forever change,” said Gumbinner, “because your future is in the hands of consumers.” It is inevitable...and both retailers and manufacturers would be better off embracing the idea instead of denying or ignoring the reality.

That reality was live and on stage at the IRI Summit – vigorous, vibrant, engaged and more than a little frightening to an audience that largely seemed unfamiliar with the existence of Twitter.

- Private label seemed to be a major touch point for many of the other sessions...which makes sense, since the recession has prompted a growth in private label acceptability in the US, which makes CPG manufacturers a little nervous and makes retailers a little more willing to put the screws to their suppliers.

Some pertinent comments from various sessions...

“It isn't private label. It is a private brand.” ...*Tim Hammonds, president emeritus, the Food Marketing Institute.*

“If a manufacturer wasn't the number one, two or three brand in a category, you were in real trouble before the economic downturn...there is a very distinct need for good private label development...it is good for the shopper...it keeps pressure on manufacturers to innovate. ...*Steve Goodroe, executive-in-residence, Terry College of Business at the university of Georgia.*

“I've heard manufacturers say that they are not bringing new ideas to retailers because they are afraid they might steal them.” ...*Thom Blishock, IRI.*

“Private label is here to stay and is going to grow. You can either fight it or live with it. The ones that fight it will probably be victims of private label growth over time.” ...*Jeff Martin, executive vice president, merchandising and supply chain, Giant of Landover.*

- In another presentation, Mike Salzberg, president of the Campbell Sales Company, noted that his brand was prepared for the economic downturn because “we've gone through 30 recessions since 1869.” He suggested that the company's message has always been about wellness, convenience, price and value...and that consistency of message has helped the company frame its message for the latest downturn.

And, Salzberg reiterated the “speed” message that was emphasized on the first day of the summit. “You have to question every decision you made 30 days ago, because it might not be the right answer anymore, and you have to be willing to cut bait and move on.”



- Mike Haaf, senior vice president/chief marketing officer for Food Lion, took the audience on a guided tour of the journey that his company has made from being a “one size fits all” retailer to one that has created multiple formats and store clusters that are uniquely customer-centric...and emphasized that “the journey toward customer-centricity is not over...it continues to evolve.”
- And Steve Forbes, the former candidate for the GOP presidential nomination and longtime editor-in-chief of *Forbes* magazine, delivered an assessment of the current economy that included some small degree of optimism. “As someone once said, the world can only end once,” Forbes joked. “And this is not it.”
“With all the pessimism in the air,” he added, “the virtue of a free people is not that we don't make mistakes...we make plenty of mistakes...but you recover from those things, you learn from those things, and you figure out how to move ahead...eventually we get it right.”

Las Vegas Blog: Reporting In From The IRI Summit 2009

LAS VEGAS -- Random notes and comments from “Content Guy” Kevin Coupe from the annual summit sponsored by Information Resources Inc., currently taking place at the Wynn Las Vegas...

- One would think that in these economic times, when so many budgets are being scrutinized and even eviscerated, it might be hard to get retailers and CPG companies to send folks to an event like this. Looking around the room, though, there seems to be a palpable energy...maybe it is desperation, maybe it is sensing opportunity...maybe it doesn't matter.
- During the two-day summit, Americans will go to the store 66 million times and spend \$1.8 billion, said Thom Blishock, president of consulting and innovation at IRI, in welcoming the audience. “That means 66 million chances to touch the shopper, to make a sale, to increase the relevance of your brand.” He went on, “There are 270 million shoppers in America, and the question is, how well do you know them? More important, how well should you know them?”
“It's tough out there,” Blishock said. “And things are only going to get tougher...It is time to reinvent, rethink, redesign and rewire” organizations so that they are more responsive to shoppers with changing habits and priorities.
- Dr. Romesh Wadhvani, chairman of IRI, expanded on this notion of consumer change, saying that the shopper cannot help be confused by the messages being sent by the government. “Six months ago, we were being told that we're spending too much and should be saving more. Now, we're being told that we are saving too much and should be spending more.”
- Wadhvani made an excellent point about the competitive pressures out there these days, noting that in an environment where revenues at major chains like Kroger are up and industry revenues are down because of the economic pressures on customers, it is no wonder that smaller, more vulnerable companies are being driven to the edge. The story this week that Bi-Lo has filed for bankruptcy seemed to drive the point home.



- Wadhvani also addressed the five big trends that he said were affecting fundamental market change:

- 1) the first “moment of truth” is now in the home rather than in the store, because 65 percent of all shoppers are creating lists and making decisions before they ever leave the house...“if you are not on the list, you’re toast,” he said;

- 2) “shopper loyalty is rapidly becoming an oxymoron,” he said, as the economy encourages ever more fragmented behavior...he also hit the nail on the head when he said that most loyalty programs weren’t really loyalty programs, anyway;

- 3) “manufacturers are rapidly losing pricing power,” Wadhvani said, referring to current tensions between retailers and manufacturers in which ‘retailers are turning the screws on manufacturers and promoting private label’;

- 4) Wadhvani suggested that private label penetration in the US is likely to get to European levels, where it currently tends to be 30 percent or more at retail, with some retailers pushing to get it to 50 percent...in the US, he said, retailers are pushing it up to 20-25 percent in certain categories with “the right products with the right attributes at the right prices”; and

- 5) channel dislocation is rampant, with “attention to detail and insights down to the store level” being the key to survival.

- Big idea from Wadhvani, who just said that part of the problem with traditional insights is that they tend to be slow and not transformational. “All insights are not born equal,” he said. Wadhvani pushed for faster, actionable more accessible insights ... if it takes a 90-day study to reach an insight, he said, that insight will be useless. “We live in a real time world,” he said, pointing out how many people get real information via various Internet services...and said that anything less than “real time insights” are irrelevant and useless.

- Following up on this was Jaya Kumar, chief marketing officer at Frito Lay, who said that over the past year the most important lesson learned by his organization was the critical nature of speed. “Speed is a strategic competitive advantage,” he said. “You can copy the strategies of any company, but what you can’t copy is speed. Speed is so cultural and so dynamically connected to how an organization responds,” he said, that it becomes an enormous differentiator.

On the simplicity front, Kumar noted that most analysis is too complicated and therefore too slow. “Simplicity is becoming paramount for success,” he said, and we need tools that allow us to iterate in simple fashion.” He pointed to the company’s latest campaign for Lay’s potato chips, which emphasizes simple ingredients “potatoes, natural oil and a dash of salt” as an example of simplifying the message in a way that makes it easy for shoppers to understand.

- Kumar also said pointed to the importance of establishing trust with trading partners and consumers, especially in a difficult economic environment. “Competence and character intersect to create trust,” he said, noting that “you can react at remarkable speed when you trust your partner.” When trust declines, on the other hand, speed goes down and costs go up.

- Much of what was described by Wadhvani and Kumar was brought together in a presentation by author and management consultant Ram Charan, who urged attendees to demonstrate transformative leadership in their organizations...to listen to anxious employees, to protect the talent, and to nurture the credibility that allows people and companies to prosper.



Charan also made his own argument for simplicity, noting that when Steve Jobs returned to Apple Computer as CEO, at the first board meeting he looked at the 26 projects being worked on by the company and instantly whittled the list down to four. "In tough times, there is no luxury to do peripheral things," Charan said.

- There were also a couple of interesting presentations by retailers from the convenience store and drug store channels, looking at how they are repositioning themselves to grapple with tough times.

Joe DePinto, president/CEO of 7-Eleven, noted that his c-store chain has found a strong niche with a newly developed private label line of 180 SKUs, with own label water and chips being embraced by shoppers. DePinto also said that his company is reorganizing its supply chain, where high costs – compared with the grocery, drug and mass merchandiser channels – have put c-stores at a competitive disadvantage. 7-Eleven, he said, is moving into a consolidated delivery model, which it already was doing in fresh foods, for heavy liquids and frozen foods.

Kim Feil, VP/chief marketing officer at Walgreen Co., said that her company was working to differentiate itself in a crowded marketplace; for a lot of people, "we're a convenience store with a pharmacy in it."

One of the things that Walgreen is doing, Feil said, is reorganizing its stores around customer purchasing needs, bringing together, for example, items that people might need if they have a cold, rather than having them scattered around the store. In addition, she said. Walgreen is looking to break down the barriers between the various ways that people can buy – online, phone, mail and in the store. And, Feil said, the company is looking to examine and justify every SKU: "It was a revelation to find out that we had nine SKUs of flashlights," she said by way of example. "If you're in Walgreen's and you need a flashlight, you'll buy the one we have. You want a choice, you'll go to Lowe's."

- On day one, the Summit's theme is about active leadership, active innovation, active interaction with shoppers, and an active approach to sustainable growth. Retailers and manufacturers have a choice...hunker down, which only leaves them vulnerable to attack and irrelevance, or embracing the moment as an opportunity.

Doesn't seem like a hard choice to me.

More tomorrow...



Reporting In: The Content Guy Visits The Newest Fairway Market

PARAMUS, NJ -- The worst thing about the fifth and newest Fairway Market that opened this week in Paramus, NJ, is that you have to park about a mile away from the store because of how crowded the parking lot is. I suspect that this will subside a bit as time goes on, but there is no reason to think that Fairway won't be an enormous success with its Paramus store...and that it will replicate that success when it opens stores in Pelham, NY, and Stamford, CT.

(I could be wrong about this, but it seems to me that this will be the first time in the 25 years that I've been living in Connecticut that Stew Leonard's will face legitimate competition. The Stamford Fairway, which should open in less than two years, will only be 10 miles from Stew's...and it is the same kind of destination shopping experience.)

It was hard to navigate inside the Fairway yesterday because of so many shopping carts and customers...but here are the top six things that I liked about the store:

- Walk in the front door, and the aroma of garlic wafts through the air, and you are overwhelmed with a sense of being in a foodie's paradise. It just envelops you and draws you into the aisles. (There also was a wonderful display where people could sample more than a dozen different kinds of olive oil...and you could feel the passion shared by the store and its shoppers.)
- Dan Glickberg, the fourth generation of the family that owns and operates Fairway, was walking through the store when one customer asked for a particular produce item...and he asked the shopper if he could wait about ten minutes because there was an accident on the George Washington Bridge that slowed down the truck from the market, and it had just arrived. I've rarely seen a customer look so happy when informed that he had to wait for something...because he was assured that what he was getting was fresh.
- Prices. They seemed sharp and, in categories that I was familiar with, lower than what I am used to paying. This is not a scientific study, just an impression. But positive impressions are what a shopping experience creates.
- The signs, especially in the produce department. They are big and colorful...and best of all, they describe the products in loving and specific detail, and say why people should eat them. They are among the best produce signs I have ever seen in two decades of writing about this business.
- Merchandise. I cannot believe that this is just a 30,000 square foot store...because it is so jammed to the rafters with groceries – national brands, organics, and private label – that it felt like 100,000 square feet. But while it seemed jammed with product, it is a positive attribute...like there are treasures to be found around every corner. I'd shop there.
- Finally, there is a guy in the seafood department who was slicing smoked salmon. He did it with such deliberate care that he seemed like a cross between a surgeon and an artist. That guy seemed very much emblematic of most of the people working at Fairway – passionate, committed and highly engaged.

Fairway Market is a great store. At a time when so many companies are hunkering down and simply trying to survive the recession, Fairway demonstrates a real sense of innovation, commitment and style.

And, oh that garlic smell. Twenty fours later, it makes my heart sing.



A&P Expands Private Brands Program

The Great Atlantic & Pacific Tea Co. announced that it is expanding its private label program, launching “brands as Green Way, Hartford Reserve, Via Roma, Market Spa, Live Better, Preferred Pet and Smart Price, among others. Throughout 2009, A&P will be rolling out full line launches for each brand, which will be available across all banner stores, including A&P, Pathmark, SuperFresh, Waldbaum’s, The Food Emporium and Food Basics.”

America’s Choice has been a successful private label for A&P, and the new effort is seen as way of building on its experience in this area.

“The launch of A&P’s ‘Own Brands’ private label program comes at a crucial time, as consumers battle through the recession and are in need of the highest quality products at the best values,” said Jennifer MacLeod, SVP, Marketing and Communications, in a prepared statement. “A&P has been at the forefront of private label grocery products for a very long time and through ‘Own Brands’ we reaffirm our commitment to offering a breadth of brands and products that cater to every shopper’s needs.”

Supervalu Debuts New Meal Solutions Initiative

Supervalu announced yesterday that it is launching “Simply Good Meals,” which it describes as “new easy-to-recognize, branded destinations within its family of stores where consumers can go to find complete easy-to-make meal solutions in one spot. The program does the planning for consumers by bringing together all of the components needed to create a good, balanced meal for the entire family. “The Simply Good Meals program is making its debut in the aisles of the company’s family of grocery stores including Acme, Albertsons, bigg’s, Cub Foods, Farm Fresh, Hornbacher’s, Jewel-Osco, Lucky, Shaw’s/Star Market, Shop ‘n Save, and Shoppers Food & Pharmacy.

According to the announcement, “most stores will initially feature up to four Simply Good Meals destinations, including two in the produce area, one in the meat section and one in the deli department. Some stores will also have additional meal and soup destinations in the deli area. One of the destinations — known as 4:15 — will feature a selection of items that allow busy moms to create a good, easy, home-cooked meal for a family of four for under \$15 and, in many cases, in 15 minutes or less ... The Simply Good Meals program addresses consumers’ needs for convenience, value and family meal-time help at a time when concerns about the economy are causing changes in their eating and shopping behaviors.”

New Products Continue To Generate Excitement, Sales

The *New York Times* advertising column this morning points out that “in tough times, it would seem the flow of new products would be slowed by companies fearing that shoppers have too much on their minds to consider still another cereal, soap or soup. But as the recession grinds on, Madison Avenue is serving up a steady stream of new packaged foods, cars, drugs (prescription and otherwise), menu items (for both sit down and fast-food restaurants) and beverages (alcoholic and otherwise) ... One reason to stay the course on new products is that they can offer marketers new reasons to reach out to consumers when the impulse may be to pull back.”

And the story cites a study from SheSpeaks suggesting that more than 80 percent of respondents said that they are more likely or just as likely to try new products, regardless of the tough economic times



Sansolo Speaks: No Time For Old Habits

by Michael Sansolo

There's no rule that says you have to answer when opportunity knocks. But that doesn't mean you won't lose, especially if the competition is busily opening every door possible.

Despite the gloomy state of economic news, many (including Kevin Coupe and me in our regular columns) have been urging you on to find opportunity. Sometimes when motivation doesn't work, fear helps. Consider this:

Right now, unemployment is obviously higher than in many years, which has many companies reconsidering recruiting and retention programs. The logic is pretty strong: when the supply of labor is high, why work hard at getting and keeping people. It's strong logic, but a losing long-term strategy.

And that's where fear comes in. A number of large foodservice and restaurant companies have been talking about this issue recently with two interesting ideas that demand your attention.

The first is the simple truth that at the moment there is an uncommonly excellent group of potential employees to grab. With high paying jobs in financial industries drying up, top graduating students are having to look elsewhere for employment. That means all companies can view the current situation as an incredible opportunity (there's that word again) to grab top-notch talent. Considering the demographic time bomb that is still looming in the someday retirement of the Baby Boom, this is a wonderful time to recruit a future generation of leaders. Think about what happens if restaurant companies get that right and you don't!

The second point is equally simple and also related to economics. In the current environment, cost containment is essential if not more important than ever. Again, restaurant companies are talking about the importance of stepped up training using the logic that a better-trained employee is more efficient and effective. The return on investment for training, in short, comes quick.

Now there are a couple of ways to look at this. One is to ignore statements coming out of the foodservice industry, which assumes that somehow you have missed just how large a percentage of meals these companies have taken from retail food in the past 30 years. Another option is to ignore the reality that these foodservice companies aren't alone. No doubt very sharp retailers are thinking the same thing because there are companies (you can name them with little thinking) that never pass up a chance to grab opportunity.

Frequently in these columns I have to explain biases or conflicts of interest due to work I do with various companies. On the issue of training people, I must always offer an apology because my continuing work with FMI on the Future Connect leadership conference falls right into this area. However, this week I'm offering no apology.

The reason I'm working on the FMI conference is because it is an issue I believe in. I believe we have a stunning opportunity to link into the next generation and a stunningly large risk to destroy companies by not being proactive in this area.

It's far too easy to pass up Future Connect or any other training program because times are tough, money is tight and labor is plentiful. Or it is time to grab opportunity. It's your call, but remember: the competition is acting.

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Bi-Lo Files For Bankruptcy Protection

Bi-Lo, the 215-store supermarket chain with stores in South Carolina, North Carolina, Georgia and Tennessee, has filed for bankruptcy protection.

The company said that its stores would continue operating as it reorganizes its finances.

The move came three days before a credit facility matured, which put the chain under tremendous financial pressure.

Report: Green Products Continue To See Growth

The *Financial Times* reports that "US households are continuing to pay more for 'green,' environmentally friendly household products, defying a broad trend of shoppers 'trading down' to lower priced goods and retailers' own-label brands."

Companies like Clorox and Seventh Generation are saying that they are seeing continued growth in this category, which appears to be a testament to the commitment that devotees of the category feel to environmental issues.

According to the story, "The previously dramatic growth rates in the category have slowed, with IRI, the consumer products data company, reporting 30.8 per cent growth in the green cleaning category over the past 12 weeks, against the rates of 80 per cent reported last year.

"US organic food sales are also still rising, but growth rates have slowed sharply, with Nielsen reporting annualised sales growth of just 5.6 per cent in December, down from around 25 per cent a year earlier."

FastNewsBeat

- There are press reports in Europe that Belgium-based Delhaize would be interested in acquiring at least some Carrefour stores there if France-based Carrefour decides to pull out of the Belgian market. Carrefour, which has been reeling from declining sales and profits, has identified Belgium as a market where it needs considerable improvement, and a pullout is not considered to be out of the question.

- Meanwhile, even if it is having problems in Belgium, Carrefour apparently sees opportunities in Russia, and it plans to open its first Moscow store this May.



The MNB Wal-Mart Watch

- *Bloomberg* reports that Walmart is stepping up its competition with drug chains Walgreen and CVS Caremark, expanding on an existing program to offer companies access to inexpensive prescription drugs. According to the story, the program has been piloted with Caterpillar Inc., which “bypasses a third-party provider and gets pricing on drugs directly from the retailer. Caterpillar then passes some of those savings on to employees by waiving a \$5 co-payment on generic drugs bought at Wal-Mart.”

Walmart will “target roughly 75 million Americans whose employers fund their own health-insurance plans,” according to the *Bloomberg* story, believing that it will continue to drive new sales in its stores.

- Walmart announced that it has created a new line of home furnishings for teens called “Your Zone,” described as “a platform for teens to create their own space and express their evolving personality, for less.”
- The *San Francisco Chronicle* reports that a federal appeals court there yesterday heard arguments in the decade-old gender discrimination case against Walmart that charges the company with denying as many as two million women with equal pay and promotions since 1998.

At issue is whether the case should be a class action suit; Walmart wants each case to be tried separately, while the plaintiffs maintain that the offenses were systemic and deserve to be tried as a unit.

According to the *Chronicle* story, “The judges gave no clear indication of whether they would allow the suit to proceed as a class action, although each lawyer encountered skeptical questioning.”

The Balance Sheet

- Dollar General Corp. announced that its fourth quarter net income was up 48 percent to \$81.9 million. Q4 revenue was up 11 percent to \$2.85 billion, on same-store sales that were up 9.4 percent. With not a little bit of irony, the *Wall Street Journal* noted that this performance made Dollar General – “a deep-discount retailer selling \$1 dog treats and \$2 bleach to lower-income shoppers” – the best performing asset owned by private equity firm Kohlberg Kravis Roberts & Co.
- Walgreen Co. said that its second quarter profit was down seven percent to \$640 million, from \$686 million during the same period a year ago. Q2 revenue was up seven percent to \$16.48 billion, on same-store sales that were up 1.3 percent.



Executive Suite

- Sprouts Farmers Market announced that it has hired Rick Kaiser, most recently senior vice president of operations at Raley's Supermarkets, as its new senior vice president of operations.

In addition, Sprouts has hired Joe Dobrow, formerly of Whole Foods, Balducci's and the Discovery Channel, to be its new vice president of marketing.

In the announcement, Sprouts noted that it "will open eleven new stores this year, boosting the economy in California, Texas and Colorado. And, senior executives are not the only new additions to the Sprouts team. In fact, at a time when the unemployment rate is soaring, Sprouts stands out as a hub of modest activity, hiring more than 500 employees to staff the new stores."

- Ralcorp Holdings announced the resignation of Richard Scalise, president of its frozen bakery products division. Scalise reportedly will take a position with an as-yet unidentified food company.

Ralcorp said that Kevin Hunt, co-CEO/president of Ralcorp, will assume his responsibilities.

- The *Kansas City Business Journal* reports that Associated Wholesale Grocers CEO Gary Phillips has retired, and is being succeeded by the company's executive vice president of merchandising Jerry Garland. AWG also named Mike Rand, executive vice president of wholesale operations, as the company's new COO.