-Week Ending 2/19/10-

Below is the list of articles you will find for the week ending 2/19/10 edition of Retail Industry News.

Thanks to MNB for this selection of articles.

Supervalu Sells CT Shaw's; Is This Just The First Shoe Dropping?

The news over the weekend ended months of speculation about Supervalu's plans for various divisions now that its new CEO, Craig Herkert, has made clear that he believes the Save-A-Lot business model - stressing reduced SKUs and a strong value proposition - is the company's retailing future.

Supervalu announced late Friday that it would be selling all 18 of its Shaw's stores in Connecticut, with five of them going to Ahold-owned Stop & Shop, and 11 of them to individual owners who are part of the voluntary cooperative that is Wakefern Food Corp. Two stores remain unsold, and the company reportedly will shutter them if it cannot find a buyer by the end of March.

"While these decisions are always difficult, given the impact on associates and customers, they ultimately allow us to operate more efficiently and effectively within a highly competitive retail environment," Pete Van Helden, Supervalu's executive vice president of retail operations, said in a statement.

Supervalu said it planned to keep operating its 176 remaining Shaw's stores in in Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.

Wakefern said that 10 of the Shaw's locations will be operated as ShopRite stores, the other one will be converted to a PriceRite unit. Currently, there are thirteen ShopRite stores and eight Price Rite stores in the state. "The Connecticut market has been very supportive of ShopRite and PriceRite over the years and the addition of these stores allows us to expand our presence in the market," said Joseph Colalillo, Chairman/CEO of Wakefern.

Roundy's Confirms Chicago Location To Open Next Year

The *Chicago Sun Times* reports that Roundy's has confirmed that it will open a new supermarket in Chicago's Lakeshore East condo and apartment complex. The 56,000 square foot store is scheduled to open in spring 2011 under a banner yet to be decided.

The story notes that Roundy's is behind schedule on its Chicago plans: "Three years ago, Roundy's CEO Robert Mariano, a Chicago native and former Dominick's CEO, said he hoped for 13 stores in the Chicago area by now."

Walgreen Buys NY's Duane Reade for $1 Billion

Crain's Chicago Business reports that Walgreen Co. will acquire New York City-based Duane Reade Holdings for $1.07 billion, giving it 257 stores in the New York metropolitan area and add annual sales of around $1.8 billion to its bottom line.

The story says that the Duane Reade stores are likely to keep their brand name, though Walgreen will look for available efficiencies.

"Walgreens expects to retain Duane Reade's store, pharmacy and distribution center employees and many members of Duane Reade's senior management team following the acquisition," the release says. "Over time, consolidation of core functions at the corporate offices will occur."

Walgreen already has 70 stores in Duane Reade's market area, according to *Crain's*, so this acquisition is a significant move for the Chicago-based company.

Sansolo Speaks: "In Their Shoes"

by Michael Sansolo

There are weeks when the number of topics presenting us with lessons overwhelms the "in" box. So even though I'm the guy with a non-functional snow thrower and four feet of snow, allow me to take a crack at two recent ones worth thinking about.

First there was the Super Bowl. It was a great game that for once was way better than the commercials. But for me, a long-time fan of The Who, halftime was a disappointment. All people age and voices age with them, but I prefer to keep my memories of Roger Daltry the way he used to be. Back to the iPod I guess.

My 23-year-old daughter had a different reaction. While she understands why the networks are skittish about halftime acts since the infamous Janet Jackson "wardrobe malfunction," she doesn't understand why all the acts since then fall into the same category: old, white and male. (Somehow she missed the year Prince performed, but aside from that she has a point.) Much as I love McCartney, Springsteen, the Stones and Tom Petty, they all do fall into the same group of performers and demographics.

As my daughter put it, having Beyonce instead might actually bring a new audience to the Super Bowl and no performer will make a wardrobe error ever again. And the lesson to us in marketing is clear. Let's never forget the entire audience isn't like us, which means we may have to stretch to find a new answer. And sometimes we have to consider those who are very, very different than us.

Second there is the stunning case of Toyota. As I have written before, I have a long and happy history with my Toyotas so the sudden rash of problems is really stunning. And by that I don't mean the small number of acceleration or braking accidents. Rather it's the company's reaction. It seems stunningly competent, logical and complete, especially the decision to stop production of automobiles, which is no small matter. If you think about it logically, Toyota has done a great job responding.

So why does it seem so empty?

Do the words *too little, too late* mean anything? Once again Toyota is learning the terrible lesson that more problems come from the cover up, not the crime. What's going to linger with people about Toyota is that they apparently had ample warnings in Japan and the US about the problems and failed to act. Plus once they acted, it seemed unemotional and uncaring.

The parallel to the food industry is stunning. This industry has the gold standard of lessons thanks to the reaction Tylenol offered the world in the early 1980s. Remember, that Tylenol did nothing wrong back then. The company was victimized by a lunatic intent on using a painkiller to cause pain and death. The lingering memory of that case is that Tylenol understood the reaction had to be swift, the words and feelings had to convey both sympathy and support. Tylenol pulled all its products from the shelves, created a whole new industry of tamper resistant and evident packaging that both annoy and protect us. And when the product returned a year later, its market share soared higher than ever.

Against that backdrop, Toyota presents a terribly different picture. Its problems are all of its own doing. No one tampered with the brakes or accelerators. And, in truth, the company took dramatic action, shutting down production and working overtime to fix everything.

But read the messages in Toyota's ads on the problem. They remain unemotional, sober and completely lacking the compassion that seems so necessary at a time like this.

Ask yourself, as you always should, what would I do? What would I do if I ran the Super Bowl halftime show? What would I do if I ran Toyota? Odds are, you won't do either one, but the lessons are guaranteed to come in handy. Sometimes we can pretend to stand in someone else's shoes to learn a great lesson.

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Walmart Puts Another Notch On Its Belt

The *Charlotte Observer* reports that Walmart has become the dominant grocer in that market, with a 29 percent market share. "That's up from 25.7 percent a year earlier, and way up from 16.2 percent in 2004," the paper writes. "Harris Teeter, the previous No. 1, ranked second, with 26.5 percent, down from 29 percent in 2008, according to market and consumer research firm the Nielsen Company. Food Lion remained third, with 19.7 percent."

According to the story, "The shift makes Charlotte the latest market to join a tide that has swept across much of the nation's grocery terrain during the last decade, with mainstream supermarkets losing share to discount stores and other nontraditional food sellers. Leading the charge has been Walmart, whose estimated U.S. supermarket sales are about equal to those generated by the next three largest U.S. food retailers, combined."

The recession, of course, has played a role in Walmart's ascension. "A new frugality has put higher-end chains on the defensive. Matthews-based Harris Teeter, for instance, wooed shoppers and led in local market share through most of the past decade by bringing upscale stores to affluent, often fast-growing areas in south Charlotte and Union County. But recently, the chain has focused more of its advertising and in-store signage on highlighting low prices and discounts. Walmart, meanwhile, has been working to repair its image after being battered by criticism over its business practices. And it has continued to increase its presence at a time when many traditional grocers are adding few stores, if any."

Food Lion Launches Price Cut Strategy

The *Richmond Times-Dispatch* reports that Delhaize-owned Food Lion has "launched a new pricing strategy yesterday designed to bring prices down at its 1,300 stores. The North Carolina-based grocer said thousands of products will be discounted when the strategy is completely implemented.

The company said this is a long-term pricing strategy, not just a short-term marketing tactic, and would include both national and private brands.

FastNewsBeat

• *Colloquy.com* reports that "Kroger and its banner Ralphs have now teamed with Shell as a redemption partner, beginning in Cincinnati (Kroger's headquarters), Dayton, Nashville, Knoxville, and San Diego. Customers in participating markets can earn points and redeem them for savings on gasoline at Kroger Fuel Centers and participating Shell stations. Customers earn rewards, including a minimum of 10 cents off a gallon of gasoline for every 100 Fuel Points they earn using their free Kroger Plus Card or Ralphs Rewards Card when purchasing products inside Kroger and Ralphs stores. This offer is valid up to 35 gallons per fuel purchase, and offers may vary per market. If the pilot is successful, the program may roll out to other markets."

• Ahold-owned Stop & Shop and Giant of Landover are reportedly launching new Web sites targeting mothers, called smallvictories.com. The site will be updated daily with new content such as recipes, money-saving advice and other tips, much of it from other mothers. It is an extension of *Small Victories*, a customer publication that Stop & Shop launched last summer.

The MNB Wal-Mart Watch

• *Dow Jones* reports that Wal-Mart de Mexico "has completed the acquisition Monday of Wal-Mart Centroamerica from its parent company Wal-Mart Stores and regional investors." The acquisition has been valued at $2.8 billion (US).

• Live Nation Entertainment and Walmart have come to an agreement that will create ticket booth locations at some 500 Walmart stores in the US. The deal expands Live Nation's presence; the company recently merged with Ticketmaster, and already sells tickets at Blockbuster units.

• Walmart said yesterday that 54 percent of its employees have opted into the company's health insurance program, up from 52 percent a year ago. However, the company also said that the total number of Walmart employees who have any kind of health care dropped from 94 percent last year to 87 percent this year ... a shift that the company said it is trying to account for.

Walmart has come out in favor of federal legislation that would require big companies to provide health care, and it said the numbers indicate that the current health care system is not sustainable.

• The *Financial Times* reports that analysts at JPMorgan are saying that Walmart-owned Asda Group in the UK plans to open as many as 100 small format stores over the next three to five years, as well as opening 150 nonfood stores.

According to the story, "It is expected to put more emphasis on smaller format stores - although it will say this is not a convenience chain - online shopping, and utilizing Walmart's buying power to cut costs."

JPMorgan said Asda believes that three quarters of its future growth will come from smaller stores, online and non-food.

The Balance Sheet

• Whole Foods reports that its first quarter sales were up seven percent to $2.6 billion, on same-store sales that were up 3.5 percent. Q1 profits were $49.7 million, up 79 percent compared with $27.8 million during the same period a year ago - an increase that the company suggests points to the success of its strategy of lowering prices and becoming more focused than ever on natural foods.

• Walmart says this morning that its fourth quarter net income was $4.63 billion, up from $3.79 billion during the same period a year ago. Q4 sales were $113.65 billion, up from $108.75 billion a year ago, on US same-store sales that were down 1.6 percent without fuel and down 1.2 percent with fuel.

Executive Suite

Weis Markets today announced the appointment of four new Senior Vice Presidents:

• Rusty Graber, vice president for real estate, has been promoted to Senior Vice President, Real Estate and Development.

• Jim Marcil, vice president of human resources, has been promoted to Senior Vice President, Human Resources.

• Jay Ropietski, vice president of operations has been promoted to Senior Vice President, Operations.

• Kurt Schertle has been promoted to Senior Vice President, Sales and Merchandising. Prior to his promotion, he was vice president, sales and merchandising.

• Terry Morgan is retiring from his position as the company's senior vice president and global chief information officer for Delhaize Group, the Belgian parent company of Food Lion, Hannaford Brothers and Sweetbay Supermarkets. He reportedly is

starting up his own firm, Morgan Advisory Services LLC to help clients with technology consulting; one of his clients will be Delhaize America, which is creating a shared services structure encompassing its US chains.

Scott Harrison will continue to be the senior vice president of Delhaize America reporting into the new shared service organization. Frank Suykens has recently joined Delhaize Group as senior vice president and chief information officer, Europe and Asia.

• Bill Simon, executive vice president and chief operating officer for Walmart U.S., has been named a Champion of the Network of Executive Women.

"Champions play an important role in promoting the organization's mission," said NEW President-elect Michelle Gloeckler, vice president for Candy & Impulse, Walmart U.S. "Bill is a leader for diversity within Walmart, and the Network of Executive Women values his leadership as we continue to provide collaborative engagement opportunities that advance women and drive business. "

• The *Lubbock Avalanche Journal* reports that Robert Taylor, who was named interim CEO at United Supermarkets after the resignation of Dan Sanders, has now been given the job permanently, and has seen the words "executive vice president" added to his title.

Taylor previously served as vice president of logistics at United before the Sanders resignation.