



-Week Ending 11/20/09-

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**Thanks to MNB
for this selection of
articles.**

Sansolo Speaks: "Win-Win or Lose-Lose"

by Michael Sansolo

At the Retailix Synergy event in Dallas last week, retiring CEO Barry Shaked shared a remarkable story. Shaked explained how he got his big breakthrough in the early 1990s when he made a deal with Tesco. What was so remarkable about the story though was also so simple: Tesco offered to pay Retailix to run a pilot, when the start-up Israeli company was willing to do that project for free.

Shaked said at first he thought the Tesco people were silly, but then realized their genius. Tesco paid him to make sure Shaked and Retailix could both complete the pilot and stay in business. Getting the work for free might have wrecked the company and in that case the pilot would have been for naught.

Now think about that for a moment. Imagine a retailer paying a supplier for a service that could have been provided for free and a supplier understanding the genius and point of such a move.

That is what we call a real win-win-win. Tesco won, Retailix won and the partnership won, producing improved use of technology and data for the British retailer, which at the time was not exactly the giant we all know today. Sadly, a win-win-win is still a rare event.

(Full disclosure: I was a guest speaker at the Retailix event.)

Increasingly, we hear of anything but win-win these days. Trade relations that have long been somewhat peaceful (or at least relatively quiet) seem to be getting strained again by pricing pressures and increasing movement to private label - the two hallmarks of the Great Recession. Relations are being further strained by the continued emphasis on fresh products as the retail point of differentiation, while center store focus lags.

Suppliers talk about the pressure on them for new levels of support and lack of appreciation for products and promotions. Retailers talk about the lack of support and appreciation for their new store strategies and competitive efforts.

There is a line the very beginning of the wonderful *Lord of the Rings* trilogy. It explains how history became legend then myth as the history was forgotten. Is it possible the same is happening in trade relations?





It was less than 20 years ago, in the wake of a mild recession, that trade relations frayed beyond control. With alternative formats - then Walmart's first supercenters and Costco's club stores - growing sales, retailers began questioning the prices and products supplied those stores. It was then that retailers learned of the great logistic and economic advantages held by those formats and launched the now historic and frequently forgotten Efficient Consumer Response (ECR) movement.

The goal was replacing a mindset of contention and win-lose with cooperation and win-win. Clearly there is a ton of work remaining.

The question is have we learned anything through these years. Have we learned to appreciate the efforts, the challenges and conundrums faced by trading partners? Have we learned to understand the many nuanced ways that companies go to market and the flexibility that requires in building an effective supply chain? Have we learned to work together to solve problems that could not possibly be solved by either side independently?

Have we learned that together we can be stronger than on our own or must we fight all the same battles over and over again? Most importantly, have we learned the lesson Tesco imparted on Retailix years ago, that by respecting and nurturing trading partners we can actually emerge stronger for the effort?

In short, have we learned that the alternative to win-win is usually lose-lose, not win-lose? If not, it may be time to repeat history.

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Hy-Vee: Growing In Tough Times By Responding At The Customer Level

The *Des Moines Register* has a nice profile of Hy-Vee, noting that CEO Ric Jurgens believes strongly that the company's decentralized structure - with each store operating essentially as a separate business unit - has made it better able to cope with an economic downturn than some competitors.

"I think our people reacted firmly and swiftly (with sales and new ideas) to help people deal with financial issues that are affecting their families," Jurgens tells the paper. "This is one of those times when our system serves us well, because we're able to respond to needs at the customer level rather than at the corporate level."

This means that Hy-Vee has been able to grow in tough times: "The West Des Moines-based chain added roughly 1,500 jobs in a fiscal year that ended with national unemployment closing in on 10 percent," the *Register* writes. "It now finds itself early into the second phase of a five-year plan to spend roughly \$1 billion on new stores, relocations and remodels. The money will include some environmental improvements and modernization of existing stores but also some expansion into markets Hy-Vee feels like it understands."

Jurgens says that most of these stores will be traditional supermarkets, though the company continues to play with a small store format that he says needs to be ready to go if that's what customers demand.

It is this sensitivity to shopper priorities that has convinced Hy-Vee to be progressive about environmental issues, healthy choices, and nutritional labeling in its stores ... all things that have allowed a company that operates so-called "traditional supermarkets" to transcend that label.

"We do an awful lot of things out of intuition at our company," Jurgens tells the paper. "We're not afraid to invest in our customers in a way that the payoff may be to them more than to us ... As long as it's not destroying our bottom line, there's no downside to doing any of this."

In Western New York, A Sign Of Growth

Tops Friendly Markets announced that the company will be opening its first new store since it was sold by Ahold to Morgan Stanley Private Equity and became a locally operated company.





The store is in Spencerport, NY, the site of a former IGA store. The addition of the new location is part of Tops' previously announced \$150 million capital investment plan. The project is scheduled to start in March 2010 and is expected to be completed in summer, 2010. Tops will add as many as 100 new positions to operate the full-service grocery store.

"With our capital improvement plan in place, it is first on our list of priorities is to invest in those communities where we have built lasting relationships and a strong customer base, and Monroe County and the greater Rochester area certainly fits that description," said Frank Curci, Tops' president and CEO. "The Village of Spencerport has been without a grocery store for five years, and village officials and residents have graciously opened their arms and welcomed us into their community. I have no doubt that Tops is the right fit, and that we'll live up to our promise to provide our new neighbors with the widest variety of products at a great value, within a one-stop shopping experience."

Supervalu CEO Seeks Clean Sweep As He Looks To Revive Company

In Minnesota, the *Star Tribune* has an interesting piece about Supervalu. Here's the lead:

"Every few months, St. Paul-based Old Home Foods likes to roll out a temporary, unusual flavor of yogurt, and right now it's 'Sugar Cookie.' But customers at many Cub supermarkets won't see it on the shelves.

"The maker of yogurt, sour cream and cottage cheese learned recently that Supervalu, the parent company of Cub, no longer will make room for 'Old Home 100' yogurts or Old Home's 'Gaymont' brand, named for the bacteriologist credited with bringing yogurt to the United States in the 1940s.

"The reason? Check with Supervalu's new CEO.

"Craig Herkert, who took over in May, says reviving the sagging fortunes of the \$44 billion Supervalu will require sweeping some products off shelves. Herkert is also pursuing an ambitious plan of expansion, the fusion of Supervalu's disparate parts into one company and making the company less complicated.

"Supervalu must do all of that while focusing on the customer, said Herkert, who's worked in supermarkets in this country and abroad."

The story notes that Herkert's broad strategy initiatives include a) reducing the number of SKUs offered by the company's stores as a way of simplifying the shopping experience, b) doubling the number of value-driven limited assortment Save-A-Lot stores, and c) getting the company's financial situation under control.

Herkert expresses the company's mission this way: "We aspire to be America's neighborhood grocer," he tells the *Star Tribune*. "That's what we are. It's all we do."

Report: Roundy's Hanging New Banner In Chicagoland

In Illinois, the *Arlington Heights Journal* reports that the new 68,000 square foot Roundy's supermarket scheduled to open there in the first quarter of next year "will be a new brand of Roundy's store," as well as "the first Chicagoland location for the company."

No final choice for a name has been announced, the paper says.

FastNewsBeat

- The *Wall Street Journal* reports that Ahold says that it is ready to use its cash reserve of \$3.7 billion (US) "to make targeted acquisitions, a move analysts say is meant to boost a lagging share price and ward off would-be buyers ... An Ahold spokesperson said that the company will look at growing in its existing continents, and that a combination of acquisitions and



organic growth is possible in markets where it is already active, or adjacent new markets. He declined to comment on whether the company is currently in takeover talks.”

- The *Atlanta Business Chronicle* reports that Supervalu-owned Save-A-Lot “plans to double its 1,200 U.S. store count in five years, and metro Atlanta is one of the markets it will target, said Rick Meyer, vice president of market development.” The company currently has seven stores in the Atlanta market.

The story quotes Supervalu Craig Herkert as saying that his “expectations are that we will roughly double the size of the hard discount network over the next five years or so. While we presently are anticipating opening 50 new Save-A-Lot stores this year, we will have over 100 projects in the pipeline for next year ... Our best returning business is Sav-A-Lot. We think there’s a huge opportunity to grow that business.”

- The National Association of Convenience Stores (NACS) said late last week that it “has introduced a new credit card processing program that reduces credit card processing fees to 3.9 cents per transaction (after interchange) for member companies in the program. The NACS member-only Card Processing Program (CPP), developed with First Data, is designed specifically for small, unbranded retailers who can benefit most from the aggregation of their transactions with NACS members and others in the industry.”

According to the announcement, the NACS CPP was first introduced in 2005 with a rate of 6.5 cents per transaction, which led the industry at the time. This low rate also drove down processing rates across the industry. As rates continued to drop, so did the rates for the NACS CPP.”

- The *Washington Business Journal* reports that Safeway and CVS Caremark “have announced a partnership with D.C. to provide reusable bags to the city as part of a campaign to get residents to stop using disposable plastic and paper bags.”

Washington, DC, consumers will be facing a five-cent disposable bag fee starting January 1, 2010, but before the law takes effect, “the D.C. Department of the Environment will distribute at least 122,000 free, reusable bags to D.C. residents. The city is producing 100,000 beige and blue bags with the slogan ‘Skip the Bag, Save the River’ printed on them. CVS is producing 12,000 similar bags with the chain’s logo on the flip side while Safeway will produce 10,000 bags of unknown design. The city is planning an advertising campaign to promote the reusable bags, which it will finance using the fees it collects.”

- The Great Atlantic & Pacific Tea Co. (A&P) said yesterday that it will extend the digital coupon program used at its SuperFresh, Waldbaum’s and The Food Emporium banners to its Pathmark chain, allowing club card customers to “select from the variety of premium products they want most, save the coupons to their account and go shopping,” with savings automatically deducted at checkout.

- *Bloomberg* reports that Target CEO Gregg Steinhafel is saying that the company may open smaller stores as a way of gaining a presence in urban markets.

“We know that consumers in dense urban areas love Target,” Steinhafel says. “We have to work harder at trying to get a smaller Target in those areas.”

- *Bloomberg* reports that Royal Ahold CEO John Rishton “is confident the owner of the U.S. Stop & Shop grocery chain will stay independent amid speculation its 2.5 billion euros (\$3.7 billion) of cash may attract buyers.”

Rishton tells *Bloomberg*: “We haven’t spent all this time, trouble and effort to strengthen our business and recover, and get ourselves into a very strong position, to become a takeover target. Having too much cash isn’t a problem, frankly.”

The Balance Sheet

- Target Corp. said that its third quarter profit rose to \$436 million, from \$369 million during the same period a year earlier. Q3 sales rose 1.4 percent to \$14.79 billion, on same-store sales that were down 1.6 percent.