

# WISS Food Industry Group News

QUARTERLY UPDATE- 4<sup>TH</sup> QUARTER

JANUARY 2009

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## Food Industry Trends

1. In a Green Marketing survey, marketers expressed overwhelming interest in finding eco-friendly alternatives to paper. The survey found that 90% of the marketing industry wants to be more environmentally friendly, and 60% of marketers plan to switch from paper-based marketing materials to digital-communication protocols in the next 12 to 18 months.

[http://www.brandweek.com/bw/content\\_display/news-and-features/digital/e3ib77f797483aeed6ee4f6ca82e4ee61f](http://www.brandweek.com/bw/content_display/news-and-features/digital/e3ib77f797483aeed6ee4f6ca82e4ee61f)

2. Consumers are tweaking their habits, from extending the life of their cleaning products to keeping their children in diapers longer rather than buying more expensive potty-training pants, in order to save at the grocery store. Many Americans are also changing their everyday purchases and abandoning brand loyalty, prompted by the persistent financial pressure of rising food, gasoline and electricity prices

[http://online.wsj.com/article/SB122592835021203025.html?mod=dist\\_smartbrief](http://online.wsj.com/article/SB122592835021203025.html?mod=dist_smartbrief)

3. To avoid raising prices, many manufacturers are trimming package sizes in ways that are difficult to detect. Unilever's Skippy peanut butter jars, for example, now have a dimple on the bottom and hold 16.3 ounces instead of 18 ounces, and Kellogg reduced the weight of many of its cereals in June.

[http://www.latimes.com/news/printedition/california/la-fi-shrink9-2008nov09\\_0\\_7949646.story](http://www.latimes.com/news/printedition/california/la-fi-shrink9-2008nov09_0_7949646.story)

4. An increasing number of grocers are offering customers sanitary wipes, protective cart liners and even cart-washing stations in order to provide clean grocery carts. Bashas' and Whole Foods are among the chains trying these new methods.

[http://online.wsj.com/article/SB122636407171115805.html?mod=dist\\_smartbrief](http://online.wsj.com/article/SB122636407171115805.html?mod=dist_smartbrief)

5. Internet shopping is now mainstream behavior, with 78% of adult consumers having purchased items online over the past six months, found Nielsen Online. "The sheer convenience of being able to comparison shop from your home or office has become all but irresistible," said a researcher.

[http://www.brandweek.com/bw/content\\_display/news-and-features/digital/e3ibfc872c5b952c69bb16fedd217a56f4a](http://www.brandweek.com/bw/content_display/news-and-features/digital/e3ibfc872c5b952c69bb16fedd217a56f4a)

6. Sales of private-label products jumped to \$80 billion this year, up from \$73 billion in 2007, according to research. Store-brand labels are increasingly high-end, with eye-catching packaging and premium ingredients.



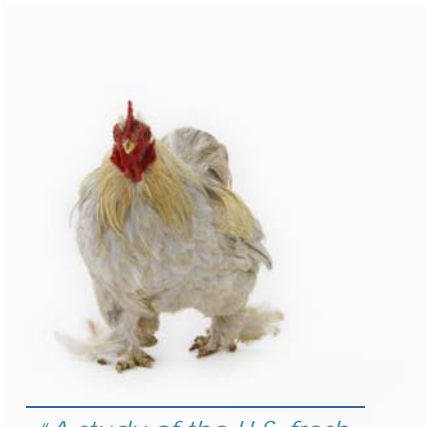
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*"In a Green Marketing survey, marketers expressed overwhelming interest in finding eco-friendly alternatives to paper."*

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*"Online coupon delivery, 'smart' in-store coupons and personalized promotions are the future of couponing..."*



*"A study of the U.S. fresh-meat market found that chicken sales rose 6.7% in 2008,"*

## Food Industry Trends (cont.)

<http://www.chron.com/disp/story.mpl/life/main/6111213.html>

7. The popularity of private-label items is benefiting grocers in their dealings with suppliers. For example, companies might add rebates or other offers to push their branded products. At the same time, retailers with their own branded products can push back on price hikes of name brands.  
[http://online.wsj.com/article/SB122827939342575401.html?mod=dist\\_smartbrief](http://online.wsj.com/article/SB122827939342575401.html?mod=dist_smartbrief)
8. Marketers are focusing on value to woo cash-strapped consumers, but they are being careful not to diminish the brand names for the long term. "What if we're only down in the economy for a year, and folks go right back to trading up? Then a company throws away years of hard work positioning its brand as a premium," one expert notes.  
[http://www.usatoday.com/money/industries/retail/2008-11-16-marketers-promotion-value\\_N.htm](http://www.usatoday.com/money/industries/retail/2008-11-16-marketers-promotion-value_N.htm)
9. Sam's Club, Nash Finch, Food Lion and United Supermarkets are all either testing or expanding their ethnic specialty store concepts. Mainstream retailers are recognizing that ethnic products and marketing can help draw in both ethnic and non-ethnic customers.  
[http://supermarketnews.com/viewpoints/why\\_ethnic\\_retailing\\_1117/](http://supermarketnews.com/viewpoints/why_ethnic_retailing_1117/)
10. Online coupon delivery, "smart" in-store coupons and personalized promotions are the future of couponing, found a study by Nielsen. According to the firm, 86% of American households use coupons.  
[http://www.adweek.com/aw/content\\_display/news/client/e3ib1405eaa568fd5dff1f1dd0121bc575](http://www.adweek.com/aw/content_display/news/client/e3ib1405eaa568fd5dff1f1dd0121bc575)
11. A study of the U.S. fresh-meat market found that chicken sales rose 6.7% in 2008, three times the growth rate for meat at retail and foodservice locations. Sales of premium red meats plunged as shoppers cut back on spending, but the study also found that "the healthfulness of white meat has been hardwired into the American consumer psyche."  
[http://www.progressivegrocer.com/progressivegrocer/content\\_display/features/fresh-foods/e3ia2faf53e239162b53030d61ed123e086](http://www.progressivegrocer.com/progressivegrocer/content_display/features/fresh-foods/e3ia2faf53e239162b53030d61ed123e086)
12. Ingredients found in energy drinks, including ginseng, guarana and taurine, are being introduced in foods, according to Mintel. "We expect the concept of 'energy' -- both physical and mental -- to greatly influence food-product development," a senior product analyst said.  
<http://www.foodproductdesign.com/hotnews/energy-food-mintel.html>
13. There are a few consumer trends that have some retailers worried about their sales predictions for the new year. Many people are loading up on discounted items now, not using gift cards on regular-priced merchandise and expecting steeper discounts.  
[http://www.google.com/hostednews/ap/article/ALeqM5iUvzh15G8zVlclnCO9YmK9wnM\\_FwD9596BGG0](http://www.google.com/hostednews/ap/article/ALeqM5iUvzh15G8zVlclnCO9YmK9wnM_FwD9596BGG0)

## Specific Retail News

1. Meijer will roll out a business-intelligence and data-warehousing program by QuantiSense. The application will first be used in the merchandising department, and then expanded into supply-chain services, executive-management reporting and consumer insight.  
<http://www.dmnews.com/Meijer-taps-QuantiSense-for-database-consulting-work/article/120933/>
2. Hy-Vee's newest promotion includes ideas for "30 meals for \$3 per serving." The store is offering recipes for meals that feature Hy-Vee's private-label products.  
[http://supermarketnews.com/news/meal\\_ideas\\_1117/](http://supermarketnews.com/news/meal_ideas_1117/)
3. Wal-Mart Stores announced that it will give more than 90 million pounds of fresh food each year to nonprofit organization Feeding America. U.S. food banks have been reporting increased demand as many Americans struggle during the economic downturn.  
[http://www.nytimes.com/2008/11/19/us/19charity.html?\\_r=1](http://www.nytimes.com/2008/11/19/us/19charity.html?_r=1)
4. PepsiCo says it will invest as much as \$3 billion in Mexico over the next five years. The company, which also recently pledged major investments in China and India, is looking to high-growth markets around the world as sales slump in the U.S.  
<http://online.wsj.com/article/SB122722395550045943.html>
5. Spartan Stores is launching a new inventory-management system to improve product-selection management, reduce out-of-stocks and provide better forecasting and reduce costs. It is using SofTechnics programs.  
[http://www.progressivegrocer.com/progressivegrocer/content\\_display/features/supermarket-technology/e3ia2faf53e239162b5e67a8090dbd9eb0c](http://www.progressivegrocer.com/progressivegrocer/content_display/features/supermarket-technology/e3ia2faf53e239162b5e67a8090dbd9eb0c)
6. Online grocer FreshDirect says its new Daily Produce Rating System gives shoppers "a foolproof way to ensure that the ripest fruits and crunchiest veggies are consistently delivered to their doorsteps." A quality-assurance team reviews the stock for taste, color, firmness and ripeness, then posts results on a scale of one to five stars.  
[http://www.progressivegrocer.com/progressivegrocer/content\\_display/supermarket-industry-news/e3i064db40204ec98654ff12bfc4df312e7](http://www.progressivegrocer.com/progressivegrocer/content_display/supermarket-industry-news/e3i064db40204ec98654ff12bfc4df312e7)
7. Steve Elliott, who owns Beacon Food Mart, has expanded his business into three Ohio locations. The secret to his success is specialty foods made fresh along with tailored customer service, such as cutting meat to customer requests. The newest location is an 8,000-square-foot market on Clough Pike.  
<http://news.cincinnati.com/article/20081229/BIZ01/812290320/1076/rss01>



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## Other News

1. The FDA has published a final rule and draft compliance-policy guide related to U.S. food imports. The rule, effective May 6, is intended to protect the country's food supply from terrorism and other food-related emergencies.  
<http://www.foodnavigator-usa.com/Legislation/FDA-publishes-final-rule-on-food-imports>
2. In July, the House Judiciary Committee passed legislation that would require banks to negotiate interchange fees with small retailers, who also are lobbying for a "credit card bill of rights." Retailers spent \$61.56 billion in electronic payment fees last year, according to the Nilson Report.  
[http://www.nytimes.com/2008/11/06/business/smallbusiness/06sbiz.html?\\_r=2&adxnli=1&oref=slogin&ref=smallbusiness&adxnlix=1225972969-9MYURJx7faj4by/hcSm4eA](http://www.nytimes.com/2008/11/06/business/smallbusiness/06sbiz.html?_r=2&adxnli=1&oref=slogin&ref=smallbusiness&adxnlix=1225972969-9MYURJx7faj4by/hcSm4eA)
3. Sustainable seafood-purchasing policies have become a necessity, but more education is needed. FMI set up a member task force, which includes Target, Kroger, Safeway, Publix and Wegman's, and offers resources, such as the Sustainability Starter Kit.  
<http://seafoodbusiness.com/index.asp?ItemID=3917&rcid=263&pcid=259&cid=263%0A%0A%0A%0A%0A>
4. FMI is launching a global private-label initiative, focusing on industry cooperation, education, food safety, consumer information and government relations. Next year, it will host its first Private Brands Summit.  
[http://www.progressivegrocer.com/progressivegrocer/content\\_display/features/center-store/e31b7a1cbce7faa46dfda1842f2fcb64dd](http://www.progressivegrocer.com/progressivegrocer/content_display/features/center-store/e31b7a1cbce7faa46dfda1842f2fcb64dd)
5. New York City Mayor Michael Bloomberg is pushing for the implementation of a 6-cent plastic-bag fee in the city. His goal is to raise up to \$16 million a year while pushing for eco-friendly shopping practices.  
<http://www.nytimes.com/2008/11/18/nyregion/18plastic.html>
6. New York Gov. David Paterson signed into law a measure that will increase the collection and recycling of plastic bags across the state. Starting in January, certain retailers, depending on square footage and the number of stores in the state, must provide bins and record the number of bags collected and recycled.  
<http://www.bizjournals.com/albany/stories/2008/12/15/daily8.html>
7. A members-only Web site called USFoodSafety.com was unveiled to provide information on food safety, including product alerts, recalls and advice columns for consumers. The site was created by Susan Reef, a food sales and marketing veteran, to help the public "better ensure their families' health and well-being."  
<http://www.qsrmagazine.com/articles/news/story.phtml?id=7606&from=rss>




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*"New York City Mayor Michael Bloomberg is pushing for the implementation of a 6-cent plastic-bag fee in the city"*

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8. For the EcoSure 2007 Cold Temperature Evaluation, participants bought cold and frozen foods at their neighborhood grocery stores, measuring temperatures in the display cases, after arriving at home and after 24 hours of at-home storage. The results are available at [www.FoodRisk.org](http://www.FoodRisk.org).  
[http://supermarketnews.com/news/food\\_temp\\_1125/](http://supermarketnews.com/news/food_temp_1125/)
9. The Food and Drug Administration released a report today detailing its plans to improve food inspection. "The goal is to radically redesign the process," an official said. For imported food, the new plan calls for trying to detect problems during the production process rather than waiting until products enter the country.  
[http://www.nytimes.com/2008/12/01/us/01fda.html?\\_r=1](http://www.nytimes.com/2008/12/01/us/01fda.html?_r=1)
10. Pointer Media Network is a new in-store ad network from Catalina Marketing that includes purchasing information for 80 million consumers from their frequent-shopper cards from supermarket and drugstore chains and other retail outlets. The network claims to be among the first major networks to have the ability to create ads at the checkout based on previous purchasing decisions.  
[http://www.adweek.com/aw/content\\_display/news/media/e3ie8946cda1b3f6da213b412c53f55cafe](http://www.adweek.com/aw/content_display/news/media/e3ie8946cda1b3f6da213b412c53f55cafe)
11. Products with nuts and seeds, drinks touting a calming effect and steam cooking are among the 10 packaged-goods trends to watch in 2009, according to Datamonitor's Product Launch Analytics. Others include concentrated cleaners, the sweetener made from stevia, and floral flavors such as lavender, hibiscus and jasmine.  
[http://www.csnews.com/csn/news/article\\_display.jsp?vnu\\_content\\_id=1003921110](http://www.csnews.com/csn/news/article_display.jsp?vnu_content_id=1003921110)
12. Food and beverage companies will have until Jan. 2, 2012, to meet label requirements introduced over the next two years, and until Jan. 1, 2010, to meet requirements set in the past two years, the Food and Drug Administration said. The FDA is working on a long-term strategy to improve allergen-advisory labeling.  
<http://www.foodnavigator-usa.com/Financial-Industry/New-labeling-compliance-timetable>
13. The Food and Drug Administration has declared the herb stevia safe for use in foods and beverages. The announcement means PepsiCo, Coca-Cola Co. and other companies can move forward with plans to use the calorie-free natural sweetener in new products.  
[http://online.wsj.com/article/SB122955049250715515.html?mod=dist\\_smartbrief](http://online.wsj.com/article/SB122955049250715515.html?mod=dist_smartbrief)



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## RESULTS OF INDUSTRY COMPETITORS

*(based on the most recently issued report)*

### Village Super Market, Inc. (10/25/08 10-Q)

- 2008 QTD vs 2007 QTD
  - Change in sales – 10.40%
  - Change in gross profit – 13.18%
  - Change in net income – 48.83%
- Sales increased in part due to the opening of two new stores. Improved transaction count and food inflation also contributed to the increase in same store sales.
- Gross profit increased due to lower promotional spending and improved product mix.
- Operational expenses decreased due to reduction of payroll costs. The reduction in labor was due to improvements in store technology.




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*"Sales increase was mainly due to increased fuel gallon costs and inflation across all departments..."*

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### Wal Mart Stores Inc. (10/31/2008 10-Q)

- 2008 QTD vs 2007 QTD
  - Change in sales – 7.37%
  - Change in gross profit – 6.67%
  - Change in net income – 9.83%
- Sales increased due to global store expansion and general sales increases in individual stores.
- Gross profit increased due to lower inventory shrink and less mark-down activity
- Operating expense as a percentage of net sales increased due to hurricane related expenses and increased corporate expense.

### Costco Wholesale Corp (11/23/2008 10-Q)

- 2008 YTD vs 2007 YTD
  - Change in sales – 3.70%
  - Change in gross profit – 6.83%
  - Change in net income – 0.38%
- Overall sales increased as shopping frequency increased, but there was a slight decrease in the average amount spent by members.
- Overall gross profit increased mainly due to the gross profit increases in the ancillary businesses and gasoline business.
- Operating expenses increased mainly due to the increase in employee healthcare costs.

### Kroger Co. (11/8/2008 10-Q)

- 2008 QTD vs 2007 QTD
  - Change in sales – 8.95%
  - Change in gross profit – 7.64%
  - Change in net income – (6.69)%
- Sales increase was mainly due to increased fuel gallon costs and inflation across all departments.
- Increase in operating costs was primarily due to the occurrence of Hurricane Ike. The hurricane caused an increase in health care costs, oil costs and energy costs.