

FOCUS OF THE WEEK

DISCOUNTERS AND ONLINE SALES: THE FUTURE OF RETAILING?

The 2008 top 20 grocery retailer rankings of Planet Retail highlighted that major discounters are climbing the list, with Lidl owner Schwarz Group moving from 2007 number nine in the rankings to fifth in 2008.

The rankings show sales at the top 20 were up 10.5% year-on-year to a combined US\$1.95trn. "Despite these difficult times, the World's largest retailers continue to go from strength to strength," said Planet Retail's grocery research manager Natalie Berg. "With funds for investment and high levels of buying power, the global giants have capitalized on the current scenario to boost their presence around the World."

But, the global economic recession is bringing to the spot light a "new" attention to the e-commerce. In the US, for example, the site www.alice.com sells leading name goods - home essentials - such as Tide laundry detergent and Huggies baby products at prices that are in line with mass discounters such as Walmart and Target, and about 20% below online rivals. Top US household goods brands are backing the launch of www.alice.com website, a move that could further "mine" the already difficult relations between large retailers and their suppliers.

Alice sells around 6,000 items on the site and it's based on a revolutionary direct-from-the-supplier sales model that they intend to extend to all participating suppliers: the customer orders from Alice just like they would a retailer, but behind the scenes Alice works like a marketplace, allowing manufacturers to sell directly to customers. This model eliminates the retail middleman, saving lots of costs that can be passed directly on to consumers. And in addition to saving money, the Alice marketplace allows the manufacturers to have a direct relationship with customers, to reward them, personalize things for them, and work smarter for the customer.

The site's revenues will be dependent on advertising rather than the conventional retailer's mark-up on the cost of goods. Alice will charge suppliers a service fee on each sale to cover costs; it will not own the inventory itself. The customers tell Alice what they want to buy and Alice goes to work. They organize all of customers products, find coupons and deals, remind clients when they might be running low, and help them order just the items they need so they can avoid that trip to the corner drugstore or the big-box store.

And all this convenience comes direct to the customer door with free shipping included.

It seems to us a move to rebalance relations among producers and retailers: this is the manufacturers' "answer" to the increasing attention of supermarket chains for their private labels. Alice's challenge is not easy, but a success in the "home essentials" could be the basis of a revolution in the whole grocery category.



EVERYONE *needs* AN ALICE

TOP 20 GLOBAL GROCERY RETAILERS 2008

- 1 **Walmart**, US, US\$434,691 million sales, 7,657 stores
- 2 **Carrefour**, France, US\$160,988 million sales, 13,791 stores
- 3 **Metro Group**, Germany, US\$115,941 million sales, 2,334 stores
- 4 **Tesco**, UK, US\$109,055 million sales, 4,332 stores
- 5 **Schwarz Group**, Germany, US\$86,139 million sales, 9,347 stores
- 6 **AEON**, Japan, US\$85,464 million sales, 15,648 stores
- 7 **Seven & I**, Japan, US\$84,965 million sales, 25,137 stores
- 8 **Kroger**, US, US\$79,952 million sales, 3,550 stores
- 9 **Costco**, US, US\$78,750 million sales, 543 stores
- 10 **Rewe Group**, Germany, US\$78,650 million sales, 14,714 stores
- 11 **Aldi**, Germany, US\$73,477 million sales, 9,012 stores
- 12 **Auchan**, France, US\$73,441 million sales, 2,777 stores
- 13 **Sears**, US, US\$67,854 million sales, 4,403 stores
- 14 **Target**, US, US\$67,680 million sales, 1,682 stores
- 15 **Casino**, France, US\$66,892 million sales, 9,982 stores
- 16 **Ahold**, The Netherlands, US\$65,053 million sales, 5,504 stores
- 17 **Walgreens**, US, US\$62,104 million sales, 6,934 stores
- 18 **Edeka**, Germany, US\$55,992 million sales, 13,065 stores
- 19 **CVS**, US, US\$52,589 million sales, 6,351 stores
- 20 **Leclerc**, France, US\$51,196 million sales, 980 stores

Source: Planet Retail

RETAIL, DISTRIBUTION & FOODSERVICE

EU STRENGTHENS FOOD SAFETY

Farmers and pet owners will soon get better information on the feed they buy, a step that will further strengthen food safety in the EU, after the Council of Agriculture Ministers adopted this week a regulation replacing the current legislation on marketing and the use of feed. The new legislation, based on a Commission proposal from 2008, considerably simplifies the existing procedures and it will help promote innovation and competitiveness in the European feed sector. It is also expected to lead to a more integrated single market for feed by reducing the administrative burden for feed operators. The regulation was endorsed by the European Parliament on February 5 and is expected to enter into force later this year.

Androulla Vassiliou, EU Health Commissioner said: "I welcome the Council's decision and that of the European Parliament in February. While maintaining our high standards of protection of animal health, welfare, food and feed safety, this new legislation represents a major step forward for the simplification and modernization of procedures for labeling and marketing animal feed and pet food. At the same time it will help boost the competitiveness of the EU livestock sector."

The new regulation caters to modern marketing conditions and addresses the different information needs of the specific types of feed purchasers, such as qualified farmers and ordinary pet owners. It also provides for the modern tools of commerce, such as the Internet. Furthermore, it establishes a new co-regulation approach which delegates competences in non-safety relevant areas to feed operators, subject to approval by the Commission. By considerably simplifying existing legislation, it reduces administrative burden for all stakeholders. [More details on the new feed legislation here](#)

FOOD SAFETY & ENVIRONMENT

CONSUMER LAUNCH OF NEW RECYCLING LABEL

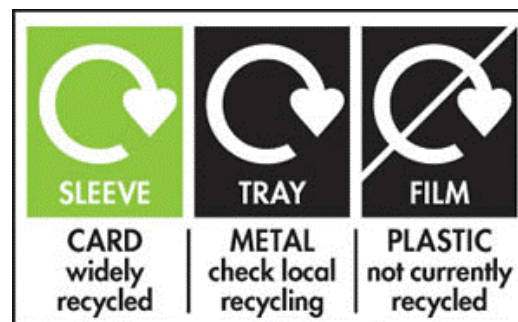
A new universal on-pack recycling label is being launched to consumers by leading retailers. For the first time, it will provide customers with standardized information on whether packaging can be recycled. The single, industry-supported label replaces the potentially confusing range of symbols previously used.

Companies representing more than a third of UK retailing (both food and non-food) have already signed up to the label and many more are expected to. Suppliers and brand manufacturers have also joined the scheme.

The new on-pack recycling label will have three categories depending on how likely it is that a customer's local authority will accept specific packaging materials for recycling:

- ✓ **Widely recycled:** This means 65% or more of local authorities collect that packaging type in their area;
- ✓ **Check local recycling:** this means 15 to 65% of local authorities collect that packaging type in their area;
- ✓ **Not currently recycled:** this means less than 15% of local authorities collect that packaging type in their area.

[Read more here](#)



NEW ECO-FRIENDLY MOVE FOR UK RETAILERS

Sainsbury's is to use new eco-friendly technology at the new store in Gloucester to power its tills: sensory metal plates will be installed beneath the car park that will take on a rocking motion as cars pass over them. This will then be converted into the electricity used to power the tills.

In the same way, Morrisons stated that it would adopt this system as part of its commitment to environment protection. It is also hopeful that this solution be incorporated into numerous shopping centres, ports and fuel stations around the country.

WISE WORDS: "As we prepare for the climate convention in Copenhagen later this year, we need to confront a brutal truth: our approach to tackling climate change is not working. On current trends, we're going to miss all the targets we have set ourselves. We're in this situation because the climate change debate is based on a number of wrong assumptions. One is that climate change can only be solved by big governments and big technology."

Sir Terry Leahy, Tesco CEO

RETAIL, DISTRIBUTION & FOODSERVICE

THE UK EXAMPLE: NEW IDEAS ARE THE ANSWER!

After several months of “discounter power”, in the 12 weeks to 13 June the retail sales recorded by the UK market researcher Taylor Nelson Sofres showed Morrisons recording the fastest sales growth, up 9.3% compared with the same time last year. Sainsbury's gained 8.9% and Asda 8.2%. Aldi and Lidl were ahead 8.7% and 7.5% respectively, with Iceland up 8.4%. Tesco sales were ahead 6.3% and its market share is 30.8%, down from a peak of nearly 32%. Even the upmarket retailer Waitrose showed sales up 7%.

The new “discount” range of Tesco, the “Essentials” line from Waitrose, the £1 (US\$1.64) items launched by Asda, etc are all “new ideas” able to increase sales during a recession time.

Just to give an example: the launch of Essentials budget range has helped Waitrose capture an extra quarter of a million new shoppers in the past month. More than £100 million (US\$164 million) of products in the “Essential Waitrose” range have been sold since they first went on sale in March.

A NEW CONCEPT OF E-COMMERCE FROM JAPAN: THE REAL-VIRTUAL STORE

The [Okuwa retail company](#) in Japan has introduced a new virtual way to do shopping online. Instead of merely placing orders from categories arranged on the screen, customers can now walk around a virtual environment that looks realistic, and order like an actual store.

The virtual store was created by filming two of the company's store's aisles, cap-ends and general environment and transferring the record of information onto a virtual software format.

The resulting experience is like walking through structurally and spatially realized surroundings. Goods are acquired by approaching them and clicking on them as if they were physically in front of the customer: the cyber equivalent of taking them in your hand.

“ESPRESSO” SHOPS FOR INTERMARCHÉ'

French retailer Intermarché has decided to open a chain of smaller inner-city stores, measuring 4,300-10,800 sq. ft, under the banner Intermarché Express. They are small supermarkets in town centers, which will attract a clientele that gets around by foot and is often “pressed” for time.

The first three new Express outlets will open in Lille, Toulouse and Nice. The target is to open 35 Intermarché Express stores within the end of 2009.

Intermarché is just the latest European retailer to open this kind of outlet, after Carrefour (FR), Tesco (UK), Sainsbury's (UK), Conad (IT), etc.

Is this the new retailing trend or another European fashion?

NEWS IN FIGURES

- ✓ **2 Italians out of 3** aim at an eco-sustainable food shopping: 70% of the Italian consumers surveyed pay attention to ethical and social matters, 65% to environmental aspects and as much as 83% of them value productions low in CO₂ emissions, according to a survey carried out by the certification body DNV-Det Norske Veritas. 83% of industry companies are convinced that the attention to environmental and social-ethical issues will increase in following years. Even 41% of them revealed that they have already planned concrete initiatives to reduce the environmental impact of their products.
- ✓ **9 Spaniards out of 10** say they never buy those brands that are known as not being ethical and responsible, according to a survey realized by WWF-España.

CONSUMERS

EUROPEAN CONSUMERS SATISFIED

According to a survey on UE consumer satisfaction with the retail distribution of 8 categories of goods - Fresh fruit and vegetables, Non-alcoholic beverages, Meat, Clothing and footwear, Information and communication equipment (e.g. computers, phones, etc.), Household electrical equipment (e.g. fridges, washing machines, etc.), Entertainment and leisure goods (e.g. TVs, radio/hi-fi systems, MP3 players games, etc.) and New motor vehicles - released by Ipsos Belgium on behalf of the European Commission, European consumers (EU-27) are satisfied with the performance of their markets: it is easy and safe to shop in Europe with a wide enough range of retailers and products available. Even when talking about the less satisfactory elements of the markets, findings are based on the nuances among predominantly satisfied customers, as levels of dissatisfaction remain marginal. Also a sign of firm consumer satisfaction is the fact that socio-economic factors play only a marginal role when it comes to consumers' evaluations of the markets.

The main results regarding food and beverages products are reported below:

Overall satisfaction with retailers by market (% Satisfied, scores 8 to 10)

- ✓ 78% Non-alcoholic beverages
- ✓ 76% Meat
- ✓ 70% Fruit and vegetables

Overall, retailer's prices offer reasonable value for money (% Satisfied, scores 8 to 10)

- ✓ 68% Non-alcoholic beverages
- ✓ 66% Meat
- ✓ 62% Fruit and vegetables

Retailer offers a quality service overall (% Agree, scores 8 to 10)

- ✓ 74% Meat
- ✓ 71% Non-alcoholic beverages
- ✓ 68% Fruit and vegetables

Overall, retailer is trustworthy and adheres to the rules set in place to protect consumers (% Agree, scores 8 to 10)

- ✓ 69% Meat
- ✓ 65% Non-alcoholic beverages
- ✓ 64% Fruit and vegetables

Overall, you are satisfied with the market for... (% Agree, scores 8 to 10)

- ✓ 71% Non-alcoholic beverages
- ✓ 66% Meat
- ✓ 65% Fruit and vegetables

Consumers that have experienced problems in the last 12 months (% one or more problems)

- ✓ 3% Non-alcoholic beverages
- ✓ 7% Meat
- ✓ 13% Fruit and vegetables

Moreover, European consumers are dissatisfied with the availability of environmentally friendly or ethically produced products. The insufficient choice of products that are produced according to certain ethical or environmental standards register the lowest satisfaction levels across the markets. In particular, in the fruit and vegetables market the choice of products in terms of environmental and ethical production and innovation has been pinpointed as areas of improvement.

It should be interesting to verify the satisfaction of US consumers and compare it with that of Europeans: maybe there is something that we could "borrow" from the other side of the Atlantic, to improve the US supply, or "teach" Europe, to increase our opportunities to export goods to the Old World.

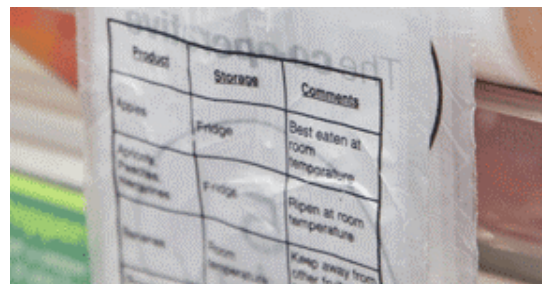
PRODUCTS & TRADE

UK RETAILERS vs. FOOD WASTE LABELLING ON BAGS

Within the [Love Food Hate Waste](#) project launched by the UK Government, with the aim to reduce the household food waste, the [Co-op UK](#) has introduced new labeling on bags used to store fresh produce, detailing how to best keep them for maximum freshness and longevity. The optimum conditions for storing a selection of loose fruit and vegetables are printed onto each bag in a bid to tackle food waste.

The new printed bags mean that consumers can take home information that would not normally be present on unpackaged food.

The bags are in 150 stores from the beginning of this week and should be rolled out to all Co-op stores selling fresh fruit and vegetables at the end of 2009.



FROM THE CONSUMERS' PERSPECTIVE

CREDIT CRUNCH? GROW YOUR OWN VEGETABLE GARDEN IS A POSSIBLE ANSWER

In a difficult economic environment consumers are becoming more and more "smart". In Europe, for example, an increasing number of people are growing their own vegetable garden. According to an eBay research on the distribution pattern of vegetable seeds in the first 3 months of 2009, compared with the previous year, in Germany sales rose by 40%, in UK 37%, in France 32%, in Italy 30%, while in Ireland, Poland and Spain the sale of vegetable seeds rose respectively 125, 103 and 71%.

But this is not just a European trend: in the US, the D. Landreth Seed Co., New Freedom, PA, registered this spring and increase of sales of 75% over last year, while seed producers and merchants across the United States are reporting the same phenomenon of crazy demand and even some shortage.