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## SUPERVALU, Inc. F4Q09 (Qtr End 02/28/09) Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Your first question is from John Heinbockel of Goldman Sachs.

#### John Heinbockel - Goldman Sachs

Pam, I may have missed this, but did you give a magnitude of what you thought retail gross margin would be down in 2010 or just say you thought it would be down?

#### Pam Knous

We just said that it would be pressured because of price investment that we did, but we did have some partial mitigating items in shrink, LIFO, et cetera.

#### John Heinbockel - Goldman Sachs

Do you think it would be less pressure than the fourth quarter or similar or worse or what color do you have on that?

#### Pam Knous

I'll just say we didn't give specific guidance on retail gross margin by quarter. So I can't be any more specific.

#### John Heinbockel - Goldman Sachs

Maybe Jeff and Duncan, can you talk about in this new model how you think about price investments and the magnitude between the guys centrally in Minneapolis, the guys out in the field, and balancing, not investing too much versus too little. How does the process work?

#### Jeff Noddle

John, the point we tried to make this morning is that we think we have enough components in place of our new business model. We've been talking about moving toward this now for well over two years. We think we have enough in place now that we can properly coordinate both the leverage that comes from the central organization and the need to be close to a customer.

Inherent in that coordination is also understanding the sales impacts, selecting the items. These are competencies you can't replicate at every location around the United States. So the ability for us to coordinate means that we can coordinate the costs, we can help coordinate the items selection, and

along with that local flavor of understanding our customers at each market, we can do this so much more smarter and intelligent than we would have been able to do it in the past.

It's one of the reasons why we have chosen the timing to wait until we had important components in place. So if we leave with any assumption from this call today, you should leave with the fact that we now feel we have enough in place to do this in a much more intelligent and smarter fashion. That's in fact what we have begun in a couple of markets today.

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