



Food & Beverage **REPORT**

The official publication of the Associated Food Dealers of Michigan

March 2006

Announcing:

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the annual
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Trade
Show**

April 25 & 26, 2006

Make a New Year's Resolution you'll want to keep. Resolve to add the 22nd Annual Trade Show to your list for 2006. AFD is planning ten full hours of uninterrupted buying, along with fun and terrific prizes.

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Plan now to save this spring at the 22nd Annual Trade Show.

See the ad on page 19 and call AFD for more information on exhibiting or attending the show. (248) 671-9600.

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PBG continues scholarship commitment

The AFD Foundation, Inc. is pleased to announce the continued commitment of a joint effort with Pepsi Bottling Group that is well on its way to raising \$1 million for educational scholarships. The scholarships are available to students who are capable of attending college but might not be eligible for other scholarships and who may not otherwise be able to afford tuition without assistance.

Pepsi Bottling Group has already donated \$400,000 and has pledged

an additional \$100,000 to the program. AFD Foundation is in the process of raising \$500,000 to match Pepsi Bottling Group's donation, which will bring the total to its \$1 million goal.

"We are working in partnership with the AFD Foundation to fund this scholarship program to give deserving kids a chance to attend college when extra financial assistance is needed," said Dave Dempsey, general manager of Pepsi Bottling Group.

In order to reach the \$1 million goal, AFD Foundation is asking for support from the food and beverage industry. AFD Foundation, Inc. is a 501 (c)(3) corporation, donations are tax deductible as a charitable contribution to the extent provided by law. To donate, please make checks payable to AFD Foundation and send them to AFD at 30415 W. 13 Mile Road, Farmington Hills, MI 48334.

See page 10 for information on applying for a scholarship.

AFD, GLPRA near Merger

By Jane Shallal
AFD President

I am pleased to report that the leadership of the Associated Food Dealers (AFD) of Michigan and the Great Lakes Petroleum Retailers Association (GLPRA) have moved close to finalizing a merger between the two organizations. Discussions have been ongoing since 2004. The GLPRA includes the Service Station Dealers Association (SSDA) of Michigan and the Ohio Petroleum Retailers Association (OPRA). The discussions have been welcomed and encouraged by AFD's Board of Directors and the GLPRA's Executive Committee.

The newly combined group would become the largest organization of its kind in the Midwest and one of the largest in the country. AFD's 3,000-plus retail locations and GLPRA's 1,500-plus retail locations would provide massive grass roots fire power in Michigan, Ohio and Washington D.C., where legislative and regulatory issues have taken on increased importance in recent years.

Trends in association management have seen a number of association mergers occur over the past few years. In Michigan, the most recent merger took place between the Michigan Underground Contractors and the Michigan Road Builders Association. The changing economy, shifting national trends and increased competition in the marketplace have caused industry associations to look to mergers for faster growth and economies of scale.

Today, the retail food and beverage business is increasingly cutting across many categories. Service stations, liquor stores, independent supermarkets and dollar stores are all a part of our industry. Although the GLPRA also represents automotive

repair garages, the common, uniting element is "independent businesses."

In the larger picture, our competition is not each other but predatory merchandisers like Wal-Mart and Sam's Club that hurt independent businesses. A merger of this nature will allow increased buying power for goods and services, increased political strength and operational synergies.

Meetings to finalize the details of a potential merger are currently underway with plans to close a deal in the first quarter of this year subject to approval of both Boards of Directors. The headquarters of the merged organizations would remain in Farmington Hills, Michigan with branch offices in Lansing, Columbus and Cleveland. Ed Weglarz, currently Executive Director of SSDA, will become Executive Vice-President-Petroleum for the newly named Associated Food & Petroleum Dealers (AFPD).

Please call me directly at (248) 671-9600 if you have any questions or to express your opinion.



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Chairman's MESSAGE

I am honored to serve as your Chairman

By Fred Dally
AFD Chairman

As your new chairman, I want to begin my first column by saying that I look forward to working with the AFD board, staff and – most importantly – its members.

AFD is one of the strongest trade associations of its kind in the country and its members are what keep it healthy, vital and powerful.

I was very proud to receive the gavel from past Chairman Ronnie Jamil at the "AFD Super Ball 90" on January 28 at the Sterling Inn. What a night it was! It was wonderful to see all of you there, enjoying the great food, fabulous music and camaraderie. It was a great beginning to my term as your chairman and I look forward to serving you throughout the next two years.

First, I would like welcome AFD's new president, Jane Shallal. Jane has a big role to fill, and I am certain

that she will meet the challenge with honesty and integrity. Each day can bring new trials and together, we will work to address them. AFD constantly monitors our government and the legislation that is introduced. Often we are on the forefront, working to introduce bills that can benefit our industry. Still more often, we are working behind the scenes to combat legislation that could be detrimental. In addition, as members bring new problems and concerns to our attention, together we will work toward a solution. Finally, AFD continues to strive to serve its members with programs, events and services that meet your needs. AFD's staff will continue to deliver the types of programs and services that you need to effectively and efficiently run your business.

As we face the ever-increasing challenges of the food industry, I want to assure you that I take my new position very seriously. The



threat of the bottle bill expansion, alcohol sales by big box retailers, license fee increases on beer, wine and liquor and spreading food stamp payments throughout the month are just a few of the issues that we are currently confronting and will continue to work on for our members.

Also on AFD's agenda is the issue of retailers competing with each other for lottery customers by advertising higher payouts for winning tickets.

As the year progresses I'm sure that there will be additional challenges for AFD. We are here for you, our members, and I am committed to working for the benefit of Michigan's retail food and beverage industry.

Our door is always open. If you have a question, concern or problem, please call AFD. We can't help you if we don't know the situation. AFD's phone number is (248) 671-9600. Our fax is (248) 671-9610. If you prefer, you can email to AFD at info@afdom.org, or call me personally at (248) 763-4777.

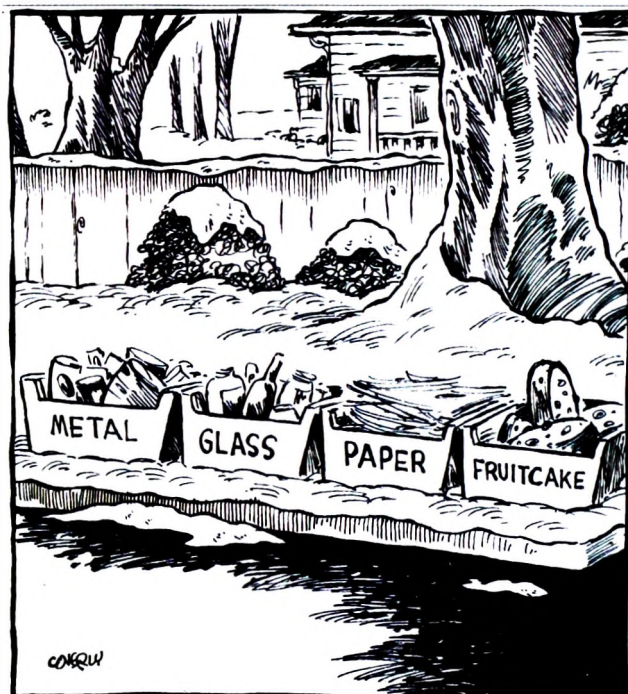
I look forward to serving AFD and its members. You have a very strong and active association. This industry is fortunate to have AFD and I am honored to be its chairman.

AFD MEMBERS:
We want
to hear from you!

The AFD Food & Beverage Report will print new product releases as space permits. The service is free to AFD members. Each month we also write feature stories about our members' businesses. If you would like to see your name on the pages of the AFD Food & Beverage Report, call Michele MacWilliams at (248) 671-9600.

The Grocery Zone

By David Coverly



Detroit Mayor, AFD, Chaldean Chamber come together for town hall meeting



By Jane Shallal
AFD President

The Associated Food Dealers, along with the Chaldean Chamber of Commerce, hosted a town hall meeting with Detroit's Mayor Kwame Kilpatrick on Tuesday, January 17, 2006 at the Shenandoah Country Club in West Bloomfield. The event drew over 200 people, largely those who do business in the City of Detroit.

The Mayor warmly greeted the group, stating that his re-election and upcoming events will give us an opportunity to focus on the progress we are making in rebuilding Detroit and that he wished to work closely with area businesses to that end.

Building on a theme of "Detroit Love," the Mayor indicated that we have such an opportunity to have people come here see a new Detroit - a Detroit infused with a new spirit and energy. When asked to describe what he meant by "Detroit Love," he replied, "Detroit Love involves countless experiences that are unique to Detroit."

Referring to the upcoming Super Bowl game, the Mayor believed that as our visitors start to talk about what they actually see here, that will begin to "transform the messages that we've been sending out and have been hearing about ourselves around the country and around the globe." But he warned that, after these Detroit sports events are concluded and visitors and spectators are gone, "It's just us" and it is very important

that we work together to continue the pride and the spirit our visitors saw when they came to Detroit. The Mayor pledged more economic development, through improved city services and cost effectiveness of having a business in the city of Detroit.

The Mayor also spent time with the group responding to many of their questions. Questions regarding the police department and the need for more security were raised by members. He acknowledged better police response time to citizen complaints were needed and would work with the police department to improve the problem. Many business owners also questioned why liquor license transfer investigations by the Detroit Police Department take over one year to complete when compared to just three to four months in other cities. The Mayor acknowledged that there were likely unnecessary delays in the process and indicated that he would work toward resolving the issue.

When asked whether we can count on more appointments of

people of different ethnic and racial backgrounds to his administration, he stated that Detroit's greatest attribute is its diverse population, and that he is committed to making Detroit a city which represents all the populations. This includes hiring qualified individuals of different groups to city government.

On several occasions, Mayor Kilpatrick recognized the Associated Food Dealers of Michigan as an important and viable organization which has a major impact on business development and relations in Detroit, and vowed to work closely with the AFD in the future.



Mayor Kilpatrick addresses the crowd at Shenandoah Country Club.



Calendar

April 25 & 26, 2006

AFD Annual Trade Show
Burton Manor
Livonia, MI
Contact: Cathy Willson
(248) 671-9600

July 12, 2006

AFD Annual Scholarship Golf Outing
Fox Hills
Plymouth, MI
Contact: Michele MacWilliams
(248) 671-9600

September 13 & 14, 2006

AFD S.E. Michigan Holiday Show
Rock Financial Showplace
Novi, MI
Contact: Cathy Willson
(248) 671-9600

September 19, 2006

AFD West Michigan Holiday Show
DeVos Place
Grand Rapids, MI
Contact: Cathy Willson
(248) 671-9600

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Champagne in a can

A glass of wine is typically served in, well, a glass. However, Napa Valley's Niebaum-Coppola vineyard has introduced a new, bubbly, single-serve wine beverage that comes packaged in an aluminum can.

The *Washington Post* writes that Sofia Mini Blanc de Blancs, named after Hollywood producer-director and vintner Francis Ford Coppola's actress-daughter Sofia Coppola, is a bubbly blend of sparkling white wine in a pink 187-ml aluminum can--similar to Red Bull and other energy drink packaging--with an extendable plastic straw affixed to its side.

"It is cute," Niebaum-Coppola President Earl Martin told the Post, adding, "If wine is going to become more popular, it has to reach out to a new audience."

Martin commented in order to reach this new audience--females, echo boomers and Generation Yers--the winery had to reevaluate typical wine packaging and essentially "break all the rules."

Much like canned beer, according to Martin, sparkling wine in a single-serve can is lighter, can chill quicker and is more portable than a bottle, which can break.

"It lends wine to some other occasions, like at picnics, poolside, sporting arenas," which Martin told the Post, are places "where beer used to rule."

Wine Business Monthly called the cans "the hottest packing innovation to hit the wine industry," writes the Post.

But how does sparkling wine in a can and sipped through a straw taste?

Through a *Consumer Reports* blind taste test, wine consultants called the beverage "simple" and "light-bodied," and that it is better consumed when poured in a glass than from the can. Meanwhile, *Wired* magazine reported: "The flavor is well, whatever. Think of it as Zima for 'The O.C.' generation," notes the Post. - NACS

Albertsons gets firm bid for entire company

Albertsons Inc. confirmed this morning that "it has received an offer for the purchase of the entire Company. The offer was received from a consortium that had previously submitted an offer for the company in December."

The Albertsons board has authorized management to negotiate with the consortium. The offer reportedly is for \$9.6 billion -- the same amount as the offer previously rejected -- but with provisions that could make it more acceptable.

The *Wall Street Journal* previously reported that "drugstore chain CVS Corp. was going to buy Albertson's pharmacy business for as much as \$4

billion; a group led by private-equity firm Cerberus Capital Management LP and Kimco Realty Corp. was going to buy groups of poorly performing Albertson's stores for the value of their real estate; and Supervalu was going to swap stock and cash for hundreds of Albertson's better-performing stores, including its Jewel stores in the Chicago area."

Now, the *Chicago Sun Times* reports this morning that Supervalu could sell its Cub Foods stores in Chicago to the Cerberus hedge fund group so that it could be clear from an antitrust perspective to buy Jewel. -MorningNewsBeat.com

Here's to new beer ads

A new Web site, Herestobeer.com, will be the centerpiece of an industry-wide campaign to lift beer's sagging sales. The new pitch, which begins in February, will emphasize

beer's traditional role as a beverage of choice for watching a sporting event, and highlight new aspects, such as what foods go best with it, as a way to fight eroding market share to wine and spirits. - CNNmoney



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BL

Things are looking up in Clio

By Michele MacWilliams

Residents in Clio are smiling again, now that they have a new supermarket as the anchor of a renovated shopping plaza. For a while last year, it looked as though grocery shopping options were dwindling down to just about nothing in this rural town just north of Flint. The Clio Supermarket had closed and their brand new Farmer Jack was soon to shut its doors. Only a Kroger and VGs remained.

Enter the Simaan brothers. The Simaan family had owned and operated grocery and convenience stores in the Detroit area since 1963 and they were looking for new options. A few years ago Farmer Jack vacated a space on Vienna Road in the Clio Plaza in order to open a new, 48,000 square-foot store 2 1/2 miles west.

Farmer Jack continued to pay rent for over two years to avoid competition. Through negotiations, the Clio Plaza landlord was able to take back the demised premises and make it available for lease. The Simaan brothers negotiated a lease to open a state-of-the-art supermarket, while the landlord made a commitment to update the 30-year-old plaza. They saw Clio as a growing market area. With new housing developments cropping up all around the plaza, they felt that Clio was under-served by supermarkets.

They gutted the former Farmer Jack space and began the process of

developing their own anchor store to fill it. They chose IGA as their supplier and then began creating a new store from the ground up. With a 30,000 square foot blank slate, they set about creating a full-service supermarket - complete with a deli, bakery and pharmacy that would be a one-stop shopping experience for Clio residents.

Clio IGA opened on October 15, 2005, just ten days before the relatively new Clio Farmer Jack closed its doors for good. Clio residents couldn't be happier.

"People call us just to welcome us to Clio," says Joe Simaan, store manager. "They're really happy that we are here." The Simaans are happy to be in Clio too.

"Our customers are so nice," Joe continues. "They are patient and appreciate our efforts. It's a great feeling."

One reason the Clio residents are so welcoming is that the store is truly a showcase of quality products. The Simaans only purchase Angus beef and their meat sales show that this is something their customers appreciate. The store is spotlessly clean and its shelves are stocked to the brim with just about everything one would want or need in the way of grocery and related food items.

The ceiling is high, with exposed beams and ductwork painted white. Large dropped lights illuminate the aisles, creating warmth. Hand-painted murals adorn the walls around the perimeter of the store,



Tom Simaan with his fresh produce



Joe Simaan in the frozen food section



making it easy for customers to locate the deli, meat department, produce and bakery.

The end result is a comfortable, accommodating store that suits the area's residents and provides needed goods and services. The only thing missing from their original vision is the in-store pharmacy.

The store is run mainly by Joe and Tom Simaan. In total, there are 13 Simaan brothers and sisters that immigrated to the U.S. beginning in 1943. The family began working in the grocery industry in Detroit and at one time had seven stores within the city. Today, Tom and

Joe commute to Clio daily, Tom from West Bloomfield and Joe from Farmington Hills. They are happy to do it, saying that the people there are so friendly and the community's service officials (police, fire department, etc.) are so easy to work with that it makes their jobs enjoyable and their days fly by quickly.

So what is next for Clio IGA? The Simaans are looking to add that in-store pharmacy. Once that project is complete, Clio IGA will indeed be a full-service, one-stop shopping experience for Clio residents.

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Knowing the customer: beyond demographics

American Demographics reports that US citizens are the world's greatest spendthrifts, as a group spending more each week "than the annual gross domestic product of Finland."

During 2005, in fact, the average American household spent \$1500 each week – adding up to a whopping \$78,000 in expenditures for the year. Of course, not all of that spending was in cash, which also accounts for people's expanding credit card debt.

"Some fraction of that consumer spending is, of course, the result of our basic need for food, clothing, shelter and transportation,"

American Demographics writes. "But really, how many households need two homes, three vehicles and four TVs? It's clear that a great deal of, if not most, consumer spending is driven by desire, not need."

Of course, this level of spending has helped to keep the US economy relatively healthy, the magazine notes. "Real - after inflation - consumer spending in the U.S. rose 23% in the past 10 years, while the number of households was up only 14%. If spending had risen at the same rate as households, those

families or other household types would have spent \$109.50 less a week than they in fact did in 2005. That seemingly small sum, when added up, would have subtracted more than \$640 billion from consumer spending, and the U.S. economy would now be in a deep funk."

The magazine suggests that there are three trends that can be worrisome when considering future growth of the economy: 1) lower income households are growing at a faster rate than their more affluent brethren, 2) while there is rising affluence, there also is rising poverty in the US, which means that the middle class is shrinking and the health of the economy becomes almost completely dependent on the upper middle class and upper class, and 3) not enough men go to college, and the fact is that people without college educations make less (and therefore have less to spend) than college graduates.

However, there also are three positive signs: 1) women have increasing economic power, which tends to be good for consumer spending, 2) so-called "mass

affluence" is expanding, with more people willing to spend lots of money for stuff they want and/or need, and 3) baby boomers are aging, which means they will tend to have more discretionary income to spend and, in all likelihood, longer lives during which to spend it.

The other healthy sign is the fact that the US population continues to grow, which means that anything can happen. *American Demographics* predicts that on September 15 of this year, the US population will hit 300 million.

While "stagnant wages, rising poverty, lack of health insurance and the growing army of undereducated men are serious problems," the magazine writes that "increasingly wealthy and influential women combined with more affluent and aging baby boomers will look at the problems described above and craft solutions in new and creative ways." The best news of all, it says, is that the US economy is increasingly knowledge-based... and knowledge can help a society analyze and overcome its problems. —*MorningNewsBeat.com*



AFD Foundation, in cooperation with Pepsi Bottling Group, announces Academic Scholarships

The AFD Foundation will once again award academic scholarships worth \$1,500 each to at least 23 extraordinary students.

Eligibility:

A high school senior, college freshman, sophomore or junior who is:

- a student employed by an AFD member company for at least six months as of January 1, 2006.
- and/or an applicant whose parent is a full or part-time employee of an AFD member company, for at least one year as of January 1, 2006.
- AFD member customers and their children.

Special Rules:

- Only one scholarship will be awarded per AFD member company.
- At least 10 Merit as well as 10 Minority Scholarships will be awarded and at least three scholarships will be awarded to AFD member customers.
- Applicants are eligible to win and receive a scholarship grant a maximum of two times.
- To be considered for an academic scholarship, an application must be completed and returned by March 31.

Selection of Winners:

Scholarship winners will be chosen in April by a panel of educators. Winners will be notified in early May. Winners must enroll as full-time or part-time students for the fall college semester.

Applications are available online at www.afdom.org.

Miller launches bottle fridge pack

Miller Brewing Company is launching a packaging innovation that the company feels will provide America's beer retailers with significant incremental sales volume. The first-of-its-kind bottle Fridge Pack configuration will be available in the Miller Lite and Miller Genuine Draft brands nationwide beginning March 1.

The new bottle 12-pack offers consumers easy storage of bottles in the refrigerator; a clean tearing top for easier access to beer; and a convenient yet sturdy carrying handle.

"Four out of five consumers say they prefer our new bottle Fridge Pack design to conventional 12-packs," said Doug Brodman,

Miller senior vice president of sales and distribution. "And because of that, we expect this new package to have a similar impact on our retailers' bottom line as our can Fridge Pack—significant incremental sales."

Miller will support the launch

with a full array of point of sale materials, consumer and trade advertising and in-store promotional executions. In the beer category, 12-pack bottles are the number-one selling package in supermarkets and the number two selling multi-pack package in convenience stores.





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NewsNOTES

Sara Lee continues whole grain roll out

Sara Lee said it will release a new line of whole grain breakfast breads that taste more like traditional white breads. These breads will use a special grain from ConAgra Foods, and follows on Sara Lee's recent release of breads that mixed whole grain with white bread. *-Chicago Sun-Times*

Coca-Cola picks chief for businesses abroad

Coca-Cola has created a new position to oversee all of the company's operations outside of North America, choosing Muhtar Kent to fill the post. Kent earned company acclaim for jump-starting Eastern Europe sales in the 1990s and is now seen as a contender to become Coke's CEO. *-The New York Times*

7-Eleven embraces contactless credit cards

7-Eleven Inc. plans to accept contactless credit cards called "blink" at all of its stores, with a card rollout in Texas and Florida underway. The convenience store is adopting the technology to make transactions faster and easier for its customers, a 7-Eleven representative says. *- Convenience Store News*

Manufacturers plan new push for functional foods

The *New York Times* reported that "with health problems like diabetes, high blood pressure, arthritis and digestive disorders all on the rise, a growing number of food marketers are selling what the food industry calls functional foods, which promise a host of health benefits, from cholesterol reduction to immunity improvements to easing of intestinal problems."

As an example, Dannon plans to spend \$60 million in 2006 developing and marketing a new yogurt designed to speed up "intestinal transit time." Elations, a new flavored beverage that contains glucosamine promises "joint flexibility," and PepsiCo is coming out with a new version of Tropicana orange juice containing three grams of fiber per serving.

All of these companies are positioning their products to avoid careful scrutiny by the US Food and Drug Administration (FDA), according to the NYT. "In making such assertions, companies are dodging Food and Drug Administration regulations that require a rigorous approval process for health claims. Marketers are not required to get agency approval for claims that talk about the body's 'normal, healthy structures and functions,' only for references to specific diseases or health conditions."

Starbucks goes Hollywood

Starbucks Corp. is getting in the movie business with a major promotional deal with the Lions Gate Entertainment feature film "Akeelah and the Bee," which opens in April and is about an 11-year-old African-American girl from a low-income neighborhood who competes in the National Spelling Bee. Starbucks will retail movie DVDs and soundtrack CDs, promote the film on coffee-cup sleeves and offer special screenings for Starbucks banistas. *-The Wall Street Journal*

FMI, restaurant association join forces for Food Safety Conference

The Food Marketing Institute announced it will work with the National Restaurant Association/National Restaurant Association Educational Foundation to promote a new food safety education and food policy event in Washington, D.C. The Food Safety Conference, scheduled for Oct. 11-13, will focus on perishable foods and aim to connect manufacturers, suppliers, distributors, service providers, regulators and food industry organizations with their distribution and retail partners. *-Progressive Grocer*

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NewsNOTES

Grocers large and small make Fortune's best workplaces list

Wegmans Food Markets is the best large U.S. company to work for, according to Fortune's annual 100 Best Companies to Work For list. The retailer, with nearly 32,000 employees, was ranked No. 2 among companies of all sizes. Whole Foods Market, Nugget Markets, Publix Super Markets and Stew Leonard's also made the list. *-Progressive Grocer*

Looking for a Home in Convenience Business

ATLANTA – The Home Depot, the world's largest home improvement retailer, will make a new home in the convenience store industry with four convenience store openings in the first half of 2006, with the possibility of 300 by 2010. The new initiative was announced at the company's annual meeting with investors.

"Over the next five years, The Home Depot expects to maintain and grow its leadership position in home improvement retail worldwide," chairman, president and CEO Bob Nardelli proclaimed at the meeting. *- Convenience Store News*

Study: Cinnamon lowers sugar levels in diabetics

A three-year study in Malaysia has shown cinnamon can relieve Type II diabetes by lowering sugar levels. Other studies have demonstrated cinnamon extract mimics insulin action in cells, and the spice is widely used to treat other ailments, such as diarrhea and arthritis, because of its ability to improve circulation, heal wounds and prevent ulcers and allergies. *-Yahoo!/Agence France-Presse*

General Mills ad spending to increase

General Mills will battle rival cereal maker Kellogg Co. by boosting its marketing budget in the second half of its fiscal year, according to General Mills CEO Steve Sanger. The company is well-positioned for growth as it rolls out new cereals and leverages its health-focused brands such as Yoplait and 8th Continent, Sanger told an investor conference. *-Reuters*

Atkins emerges from bankruptcy

Atkins Nutritionals emerged from Chapter 11, significantly reducing its product offering and rebranding itself as a nutritional company instead of a diet company. *-Food Business Review*

Supervalu launches discount natural foods chain

Supervalu Inc. took the wraps off its new Sunflower Market banner recently in Indianapolis. The discount chain specializes in natural and organic food and stocks between 8,000 and 12,000 items. CEO Jeff Noddle told analysts that the company would continue to look for acquisition opportunities in the wake of a failed bid for part of Albertson's Inc. *-Star Tribune (Minneapolis-St. Paul)*

Absolut rebrand

A pioneer in marketing premium spirits, Absolut vodka is veering away from its 25-year-old campaign built around images shaped like its distinctive bottle and moving from print to TV. The new campaign by TBWA/Chiat/Day is designed to win over drinkers in their late 20s who have come of age in which brands like Grey Goose and Belvedere are considered the elite labels in the vodka category.

Fish is brain food

Several new studies prove the old adage that fish is good for the brain. One doctor recommends eating fish twice a week but avoiding types including shark and swordfish, which can contain higher amounts of mercury. *-The New York Times*

White tea, exotic fruits big in '06, group predicts

White tea, tropical fruits, chocolate and "small plate" dining are all poised to enjoy a big year in 2006 according to predictions from the Center for Culinary Development. Restaurants and retailers also are expected to begin giving more details about where their foods come from, experts say. *-Chicago Sun-Times*

Trade publication names Costco mass market retailer of 2005

Mass Market Retailers has named Costco Wholesale Corp. its Mass Market Retailer of the Year. MMR says Costco has achieved its dominant position through sales that reached \$51.9 billion.

Orawave partners with nonprofit group and sees gains

Toothbrush maker Orawave LLC struck gold when it partnered with the Susan G. Komen Breast Cancer Foundation to market specially packaged Pink Ribbon toothbrushes and oral care products. Orawave, which contributes a portion of sales back to the charity, expects to double its revenue this year. *-The Detroit News*



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Sturken Straightens Course

Craig Sturken has implemented a strategy that has Spartan Stores in better fiscal health.

By Kevin Murphy
Grand Rapids Business Journal

There is a scene in the 2000 film "The Perfect Storm" that shows the fishing vessel Andrea Gail struggling its way along a trough between two enormous sea swells. As a sheer wall of churning water draws up before the craft, it's not clear whether the boat will turn into the swell, floating unscathed to its crest, or be swept under, swallowed by the angry seas.

That's kind of the position that Spartan Stores Inc. was in when Craig Sturken climbed aboard as the company's new skipper in 2003. In the years before his arrival, the grocery wholesaler and retailer had expanded its retail presence dramatically with a number of acquisitions, including Seaway Food Town, an Ohio grocery and drug retailer. In 2000, Spartan owned 47 retail stores. A year later, it had 127.

That rapid expansion came at a price. The company went from a \$27 million profit in fiscal 2001 to a \$122 million loss in fiscal 2003. Looking at a historical price chart for the Nasdaq-traded company, it's clear to see that the company was taking on water. Before Sturken

took over for then-CEO Jim Meyer, the share price had fallen from a high of more than \$16 in 2001 to under \$2 in mid-2003.

Sturken said the expansion that had seemed so promising early in the decade had quickly soured.

"When I got here, it was cancer and it had to go," Sturken told the Business Journal. "So we immediately divested ourselves of that and other non-core business that was a distraction. And then we got focused on our core business, which is distribution, and the retail business that we own here in Michigan. And it's really turned around. Our distribution is just fantastic. Our retailers are doing just great."

By the beginning of 2005, Spartan's retail holdings had been pared down to 75 stores. The company had consolidated and strengthened its distribution business. In addition to those logistical moves, Sturken implemented philosophical changes in the way the company did business. Those changes went straight to the bottom line. In fiscal 2004, the company showed a \$6.7 million loss. In fiscal 2005 the company netted an \$18.8 million profit.

Although he's not ready to quit there, Sturken is happy to think of his success at Spartan as the high note to end a long career in the grocery business.

As a 16-year-old in Yalesville, Conn., he didn't think of his job at the local grocery store as the start of a lifelong career. He just thought of it as a chance to earn some money to buy a car — and as a good excuse to avoid milking cows on the family farm. From there, Sturken's "growing up in the industry" took him up and down the Eastern Seaboard for more than 30 years. After stints in New Jersey, Maine, Georgia and Canada, Sturken rose to become CEO of the Atlantic region for Great Atlantic & Pacific Tea Co.

In that capacity, he worked to turn around a slumping region and to put a new strategic plan in place for the company. It was good practice for his next job.

Sturken looked at Spartan and saw stormy weather, but he also saw a challenge: too many brands. Too many store banners. Too many stores, period. Too little respect. Too little planning. And that is



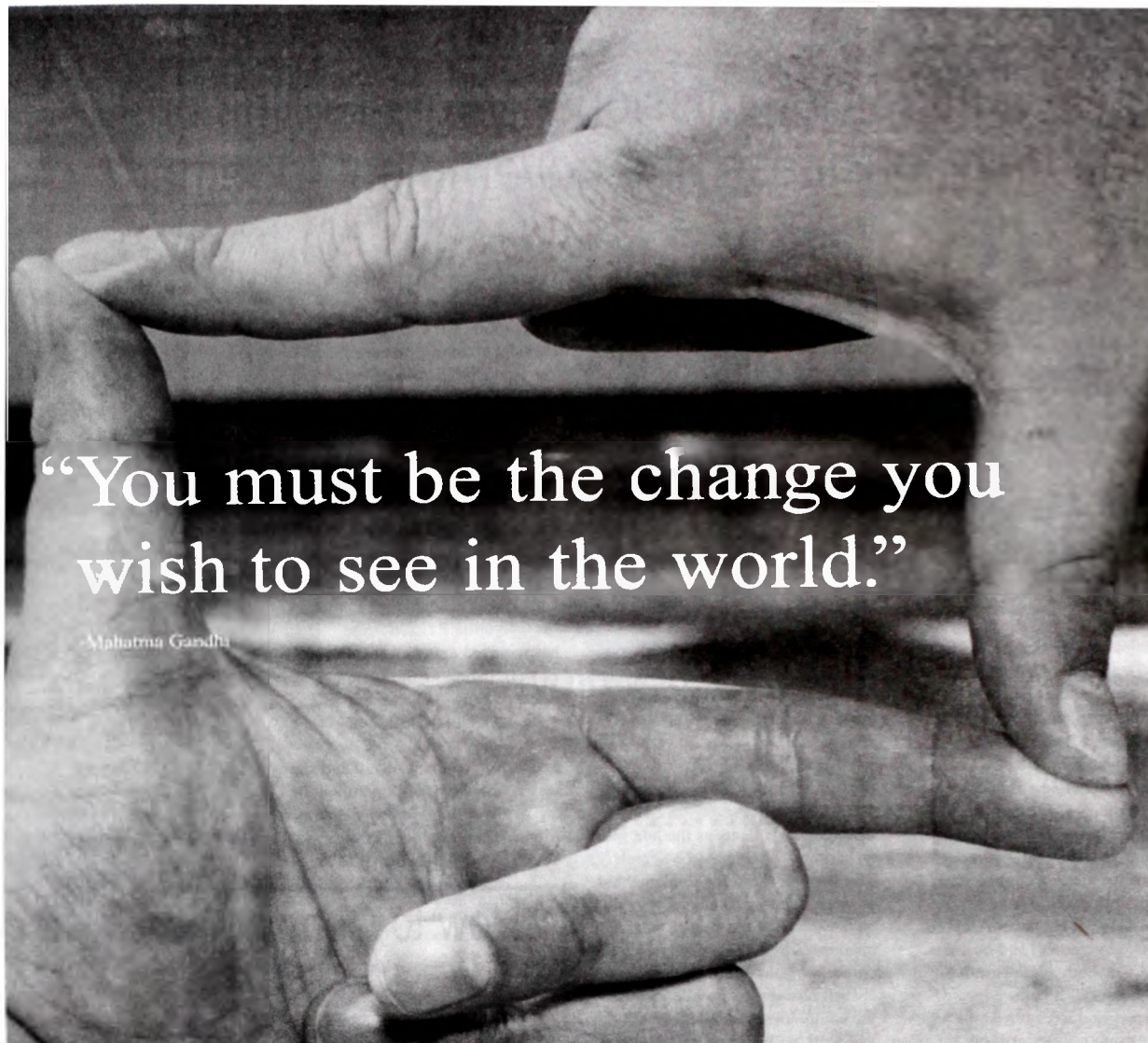
Craig Sturken

where Sturken decided to focus his energy: planning.

"I'm the coach. I don't play the plays. Most of the time I don't even call the plays. I just try to influence what the players do," said Sturken.

Spartan,
Continued on page 27.





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Liquor Control Commissioner Virgie Rollins brings community, business and government together

by Kathy Blake

Michigan Liquor Control Commissioner Virgie M. Rollins has dedicated her career to bringing people together by building relationships between community groups, business and government. The daughter of a minister, Rollins had learned how fellowship and communication help solve problems and build alliances for community improvements and harmony.

She says, "I am a public servant first." After that, she says, "I make sure we have good government." She was president of the National Federation of Democratic Women of the Democratic National Committee, and has helped numerous candidates with their election campaigns.

Rollins was appointed by Gov. Granholm to her new role as Liquor Control Commissioner in September of 2005, to replace Ena Weathers, whose term expired.

"Since we are in a control state, it's probably good to have a commission. It enhances relations between government and business. The LCC is both administrative and regulatory. It helps educate businesses and strengthens the small businesses," explained Rollins. Her position with the LCC is as a hearings commissioner; she formally listens to violators of Michigan's liquor laws at the Farmington Hills office. She says, "We educate through the rules and work with businesses."

Her first governmental post was as political consultant, advisor and strategist to the late Detroit Mayor Coleman A. Young, from 1973 to 1984. She wrote his speeches and helped him with the selection process for his government appointments. Her next job was assistant director for the Michigan Department of Licensing and Regulation and director of the Detroit office.

Then in 1986, she became the

Director of Public Affairs for Wayne County. She worked for the Wayne County Executive as a liaison between government, community groups and clergy. Rollins said she worked with the 43 communities of Wayne County. She organized the first annual prayer breakfast for the different groups in 1986 and organized it every year thereafter, while employed in the office. The event was held at Cobo Hall and started with 500 attendees the first year growing to 2,500 attendees by 1993. "It brought such a fellowship, it helped build relationships between the communities, it helped with diversity and it created workshops," said Rollins. The workshops joined support between Wayne county and the city governments within the county.

Rollins formed her own consulting firm, Rollins Group in 1993. She has consulted for such distinguished clients as the late Department of Commerce Secretary Ron Brown where she implemented programs and workshops for small businesses. She has helped small businesses by bringing in large corporations to join with them. "Small businesses provide jobs for the community and take care of and work with the community they serve," explained Rollins.

She also secured funding for the late Fr. William Cunningham's Focus HOPE program and helped secure funding and training from the U.S. Department of Labor and Transportation for Wayne County at large.

Rollins finished a four-year term as president for the National Federation of Democratic Women of the Democratic National Committee last summer. She has the distinction of having raised more funds in the history of the federation. She has traveled to 32 states organizing women, fundraising for various democratic candidates, conducting workshops for young women in leadership

training and directing democratic candidates. Currently she is also serving as the Chair to the National Federation PAC and during President Clinton's tenure, she lead a delegation of the Democratic National Committee to Taiwan as guests of Taiwan's president.

Rollins is a board member for numerous organizations including the Southeastern Michigan Council of Governments, the United Way, Metropolitan Affairs and on the National board for Operation P.U.S.H. She has received many awards as well, including the Spirit of Detroit award, the National Capital Medallion award, the National Leadership Council Award and she was honored by the Department of the Army during Women's History Month. Commissioner Rollins attended the University of Michigan



and Lake Michigan College.

For more information about the LCC, which is a division of the Department of Labor and Economic Growth, please call 517-322-1345.

How to Contact the MLCC :

Michigan Liquor Control Commission
7150 Harris Drive
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Lansing, MI 48909
Toll Free 1-866-813-0011

Nida Samona, Chairperson	(517) 322-1353 FAX (517) 322-5188
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A&P cuts losses in Q3 '05, "Not interested" in selling MI stores

The Great Atlantic & Pacific Tea Co., Inc. is still in the red, but it was able to slow down the bleeding somewhat in its fiscal 2005 third quarter ended Dec. 3, 2005.

For the third quarter, A&P's U.S. sales were \$1.58 billion, vs. \$1.67 billion in the year-ago period, the company said. Fiscal 2004 third quarter total sales of \$2.52 billion had included \$850 million related to A&P Canada, which was sold last August.

Added Claus: "Going forward, we plan to continue to improve operating results by further reducing costs, while marketing aggressively and investing to bring our store facilities to new quality standards both on the fresh and discount sides."

In a conference call, executive chairman Christian Haub said the company was interested in consolidation opportunities in the United States on a par with the recent consolidation of A&P Canada and Montreal-based grocer Metro, "should [such opportunities] materialize," and added that A&P's "revitalization" was "off to the best possible start."

Also during the call, new C.F.O.

Brenda Galgano said that the grocer was shifting its investment strategy to individual stores with the highest returns, rather than by cluster.

In talking about cost-reduction strategies that have already been adopted by the company, Claus noted that A&P had consolidated or eliminated most of its banner

a "revolving" initiative currently featuring 3,500 items, but which will probably be limited to 5,000. He also mentioned that the company's major campaign to reduce the cost of goods had resulted so far in a \$19 million reduction in that area.

Among other topics raised during the call were a profit-sharing strategy

gourmet concept at selected Manhattan stores, to be rolled out this year.

Claus further said that the new discount concept would include a private label line that would be introduced in about three months' time, and estimated that although the number of Food Basics stores in the United States would grow from its current count of 11, it would still be fewer than 20 next year.

In response to analyst questions, the A&P officials said that they were confident that the company's Michigan stores would break even by next year, and that distribution of stores in that state would also be transitioned to Keene, N.H.-based C&S Wholesale Grocer, a process that had gone well at the retailer's other stores. The officials also said they were currently "not focused on selling" the Michigan stores.

A&P operates 407 stores in nine states and the District of Columbia under the trade names A&P, Waldbaum's, The Food Emporium, Super Foodmart, Super Fresh, Farmer Jack, Sav-A-Center, and Food Basics.

A&P officials said that they were confident that the company's Michigan stores would break even by next year

administration, adding that its banners were now operating formats. The consolidation also included the closure of the Paterson, N.J. office and cutting the "lion's share" of expensive third-party relationships with consultants, couriers, and others. Claus said that all such administrative consolidation should be completed by the end of the present fiscal year.

Among the grocer's "innovative but simple" programs, Claus cited its "very vendor-funded" Temporary Price Reduction (TPR) Program,

for unionized staff that A&P hopes to introduce "when profitability kicks in," and store concepts the company is working on, including a "lean and mean" fresh store, incorporating the best of American and Canadian locations, that now has a prototype in New Jersey and by fiscal year-end should encompass 70 units, up to five of them new builds; an evolving discount format that will be unveiled next month in two prototypes at locations that are currently dark; and a new, "very high-end" Food Emporium

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Mexican Coke a preferred product

The *Wall Street Journal* reports that Coca-Cola imported from Mexico "is a big business, fueled by the Hispanic population, the fastest growing minority group in the U.S., and soda connoisseurs drawn to its taste and the old-time look of the iconic bottle. Fans insist the Mexican cola, made with cane sugar, has a better 'mouth feel' than the U.S. formula. U.S. bottlers switched from cane sugar to high-fructose corn syrup in the 1980s to cut costs."

The problem is that Coke's management calls the imports "the work of bootleggers," and is annoyed by the underground importation of the Mexican product. While it investigates cases of U.S. stores selling Mexican Coke, the company also "quietly started a limited test program to allow the authorized distribution of a small amount of Mexican Coke through one of its U.S. bottlers."

— *MorningNewsBeat.com*



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New year starts with Subway promotion



By Commissioner Gary Peters

The Michigan Lottery is starting the new year off with a great promotion that we expect will bring additional customers to all of our retailers.

Subway restaurants will be giving coupons to their customers to redeem at Lottery retailers between January 2 and February 15. Each coupon will entitle the customer

to a free, \$1 Classic Lotto 47 easy pick wager. The coupon can be redeemed for a single panel, single draw ticket good for the next scheduled Classic Lotto 47 drawing.

As a complement to the Subway offer, the Lottery will also offer discounts at Subway. All Classic Lotto 47 tickets generated between January 2 and February 13 will contain one of three different discount offers on Subway menu items.

Be sure to promote this promotion and bring in new customers.

Sharing the Wealth:

Last month I was pleased to report that the Lottery had awarded its first \$50,000 commission check to the South Michigan Express Mart in Saginaw for the sale of a winning Mega Millions jackpot ticket. I'm happy to share with you that the business, owned by Galen Wilson Petroleum, has shared their

good fortune with others.

Sue Kuck, president of the company, citing a strong commitment to the community in which they've been located for 80 years, said \$5,000 of the \$50,000 was given to the Salvation Army of Saginaw County. Some of the remaining \$45,000 was divided among the 200-plus employees of the company and the balance was deposited into a company retirement fund.

Wow, talk about a win for everyone. Congratulations to Galen Wilson Petroleum on this great gesture to its loyal community and employees.

New Instant Games:

Watch for a bundle of new instant tickets—seven in all—to hit the shelves in January. Two, \$2 tickets, U Win Bingo and Red Hot Doubler, went on sale January 3. Top prizes are \$30,000 and \$35,000 respectively. On January 9, Casino

7's, our latest \$10 instant ticket, went on sale. It has over 2,000 prizes of \$77 and a top prize of \$777,777. Lucky Hearts, a \$2 ticket with a top prize of \$14,000, is on sale January 16. Players can win one of over 100 trips to Caesar's Palace in Las Vegas with the \$5 Caesar's Palace ticket that goes on sale Jan. 23. Also on the 23rd, look for Instant Daily 3, a \$1 ticket with prizes up to \$3,000. The month winds up with Whole Lotta \$100s, on sale for \$2 beginning January 30.

All proceeds from the Lottery are contributed to the state School Aid Fund which supports kindergarten through 12th grade public education in Michigan. In fiscal year 2005, the contribution was \$667.6 million. For additional information, please visit the Lottery's Web site at www.michigan.gov/lottery



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Melody Farms Dairy Company (734) 525-4000
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Pointe Dairy (248) 589-7700
Prairie Farms/
Tom Davis & Sons Dairy Co. (248) 399-6300
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AFLAC (248) 968-9884, Ext. 103
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Capital Insurance Group (248) 333-2500
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Cell (586) 242-1331
Meadowbrook Insurance (248) 358-1100
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General Mills (248) 465-6348
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Old Orchard Brands (616) 887-1745
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Detroit News (313) 222-2000
Michigan Chronicle (313) 963-5522
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Great North Foods (989) 356-2281
Hershey Creamery (734) 449-0301
I & K Distributing (734) 513-8282
International Ice (313) 841-7711
International Wholesale (248) 544-8555
Interstate Brands/
Wonder Bread/Hostess (586) 792-7580
Jerusalem Foods (313) 538-1511
Kaps Wholesale Foods (313) 567-6710
Karr Foodservice Distributors (313) 272-6400
Kay Distributing (616) 527-0120
Liberty Wholesale (586) 755-3629
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ASSOCIATES:

American Synergetics (313) 427-4444
Canadian Consulate General (313) 567-2208
Wileiden & Associates (248) 588-2358

Spartan,

Continued from page 16.

"And, if I have the right players, we win."

Putting together a winning game plan meant several big changes. Some of those changes have been practical: reducing the number of company-owned retail stores, reinventing the private-label grocery program to cut out waste and increase quality and profitability, investing in technology throughout the supply chain. But more important to Sturken were the philosophical changes. Spartan needed to rethink who its customers were.

"The company was primarily a wholesaler. They were really good at buying and selling cases of merchandise to other retailers, but they didn't have a retail mindset," Sturken said. "When I came here, the customer was the store owner. Today the customer is the consumer. That's such a huge difference."

With the changes he has implemented in place, the company is on much firmer financial footing. Sturken and his leadership team are still working to curb expenses and find new revenue streams. The company entered the gasoline market in 2005, and will continue to add gas stations to a handful of existing grocery locations each year. That business has been a runaway success.

"We get a sales increase in the supermarket when we put in gas. Automatic. Given," said Sturken. "It's a home run. I'm amazed at how

well we're doing with it."

Even though Sturken's tenure looks pretty impressive on paper, it has not been without its controversies. Most recently, rumors circulated throughout national media that Spartan was considering a buyout of Farmer Jack, the ailing Detroit-area grocery chain. Many reports mentioned Sturken's experience with Farmer Jack's parent company, Great Atlantic & Pacific Tea Co., as evidence that he was pushing for a merger.

The accounts turned out to be baseless. But, they brought out the renewed wrath of Loeb Partners, a New York equity firm that holds a major share of Spartan stock. The firm has publicly criticized Spartan's leadership for failing to heed its advice — primarily to sell the company, in order for Loeb to turn a profit on its shares. Sturken understands the firm's motivation to reap a return on its investment, but he also understands that his primary motivation is not to drive up the share price. It is to ensure the company's long-term health.

"The people that I really care about are our retail customers, our employees, the people that come into our stores that we supply and operate, and, of course, the shareholders. I work for them. But I think that if I keep focused on the first part, the \$10 stock price becomes \$11 and \$12, and the shareholders are happy."

Sturken has always been driven by



finding "the next big thing." With each new level of responsibility and success he achieved, he has always looked beyond to the next step up. "It was always about the next job, and the next job. Every job I got, I'd just set my sights on the next job, then the next job."

It appears that Sturken has patched the leaks and that Spartan Stores is now firmly afloat. The grumblings of Loeb Partners aside, shareholders seem to be happy. His track record would suggest that Sturken might be considering his

next move. Where might that be?

"Oh, hey, I'm there. This is nirvana," he said. "This is the last stop."

At 62, the next step for him will much more likely involve grandkids and fishing than boardrooms and budget meetings. But, maybe ... if the right offer were to come along?

"There isn't enough money printed."

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Shopping by invitation

The *Boston Globe* recently reported that an expanding number of retailers have "introduced invitation-only shopping events as a way to promote their products with offers of free food, discounts, and exclusivity. It's a way to build loyalty when stores can't compete with the convenience of the Internet or low prices at discount stores. Retail analysts say they expect stores to adopt more aggressive strategies such as hosting exclusive events to boost sales, especially after a sluggish

holiday season."

The stores taking this approach range from Armani to Gap, and they are formulating their guest lists through the use of frequent shopper data that tells them who their best customers are, how much they spend, how often they are in the store, and what products they are buying.

Kevin Coupe, editor of MorningNewsBeat.com, believes that food retailers could benefit from this type of aggressive marketing.

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