

FOOD RETAILING

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IN THE MIX

CARTERET, N.J. — Pathmark Stores fiscal 2006 sales were \$4.1 billion versus \$4 billion in fiscal 2005. Same-store sales for the year increased by 0.4%. The company reported a net loss of \$18.3 million, or 35 cents per diluted share, in fiscal 2006, versus a net loss of \$40.1 million, or 92 cents per diluted share, in fiscal 2005.

WEST BRIDGEWATER, MASS. — Shaw's Supermarkets, a natural food leader, is now offering organic pet food at all of its New England stores. The stores will carry a full line of Newman's Own organic pet food products, which are free of poultry byproducts, chemical fertilizers, antibiotics, chemical additives, wheat, corn or artificial flavors colors or dyes, according to the supermarket, a division of Supervalu.

CARLISLE, PA. — Giant Food Stores and Martin's Food Markets have launched an initiative that will make an associate in each store community champion. The associate will serve as a liaison between customers, the store and parent Giant's corporate community relations department, developing and executing local programs, promoting the store within the community and working with the store manager on requests for local donations.

ROCHESTER, N.Y. — Wegmans won the top prize in the supermarket category at the first annual Food Network Awards. Other nominees in the category included Whole Foods and Trader Joe's.

COVER STORY



Wal-Mart spinning web of sustainability

Organic food helps retailer stay on-trend

By MIKE DUFF

Wal-Mart is intertwining food and sustainability issues as it seeks to build a position as a food retailer that can keep up the latest trends, and even set them. Although price remains the core of Wal-Mart's selling proposition, the retailer insists it can address more than just the desire for a bargain.

To determine just what other factors are driving its shoppers, Wal-Mart developed the Live Better Index, a research initiative designed to keep track of consumer attitudes and align assortment with evolving customer preferences. Wal-Mart also has identified five products—compact fluorescent light bulbs, organic milk, concentrated/reduced-packaging liquid laundry detergents, extended-life paper products and organic baby food—that it will track to understand critical customer purchasing patterns.

Traditionally, Wal-Mart has taken an incremental approach to organics, but, lately, has been getting beat up over the category. Having said it was expanding organics, the retailer got hit by activists who said Wal-Mart's efforts weren't matching its rhetoric.

Wal-Mart, though, has been approaching sustainability and organics somewhat differently. It has set out to be a leader in sustainability but remains deliberate and specific as regards organics, adjusting assortment according to customer demand in various stores and markets.

One result has been Wal-Mart becoming more active in organics outside of the United States. In Canada, Wal-Mart made a strong commitment to organics as it opened its first supercenters last year.

"The key is that this is relevant with the customer," Wal-Mart Canada president and ceo Mario Pillozzi told *Retailing Today* at a ceremony unveiling the supercenter openings in November 2006. "You will see more organic product in Canada because the customer is looking for it."

Similarly, Wal-Mart is expanding organics in Britain, and recently Mike Duke, vice chairman, told investors that organics expansion is an integral part of efforts to make ASDA-division execution more customer-centric.

By entwining sustainability and organics, Wal-Mart may be able to stay ahead of developments in critical issue areas through operations, remain with the customer on the sales floor and get on the right side of consumer opinion in the marketplace, all at the same time. ■

SPECIAL REPORT

Branding strategy 'O' so important

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IN THE NEWS

Wild, Wild Midwest

A&P to sell Farmer Jack operations in focus on Northeast market core

MONTVALE, N.J. — After over two years of consideration, A&P is finally selling off its 66-unit Farmer Jack operation in the Midwest in a deal that, it appears, will break up the division among multiple purchasers.

A&P anticipates the sale of store groups to selected bidders, it stated, an acknowledgment that rumors about a breakup were coming true. A&P will reveal purchase details as definitive acquisition agreements are reached, a process that is expected to take several months. A&P shopped the Midwest division around when it unloaded its Canadian operation in 2005.

Eric Claus, A&P president and ceo, said the sale proved necessary even though, "efforts to revitalize our Midwest operations have been supported wholeheartedly by our management and store associates and by our local labor unions."

In a January conference call, A&P spoke of finding a strategic solution to the problem of the lagging Midwest division, and then, Claus said, "I would say for sure the Midwest is tougher than what I bargained for." Still, by focusing on its remaining stores in the Northeast, A&P can concentrate on facing increasing competition from all three major warehouse clubs, Wal-Mart, Ahold, Safeway, Delhaize, Wegmans, Wakefern and FreshDirect, among a host of others.

A&P also has announced its financial results for the past fiscal year.

U.S. sales for the full year were \$6.9 billion compared with \$7 billion for fiscal 2005. Total sales of \$8.7 billion last year included sales of \$1.7 billion related to Canadian operations, which A&P sold in August 2005. U.S. comparable-store sales decreased 0.5% for the year, but comps for the company's core Northeast market gained 0.6%. Net income for fiscal 2006 was \$27 million, or 64 cents per diluted share, versus \$393 million, or \$9.64 per diluted share, the previous annum, which included gains on the A&P Canada sale. ■



A&P is selling off its Farmer Jack Midwest operations to focus on its core Northeast business, including Food Emporium (left), in the face of mounting competition from major food retailers.

SPECIAL REPORT

Branding strategy 'O' so important

Organics success hinges on recognition

by MIKE DUFF

Creating any private label is tricky, and developing one that has to satisfy a particularly stringent set of consumer demands can be a chore. When Safeway began to develop its O Organics line, it turned to Philippe Becker Design for assistance, a firm which already aided Whole Foods in creating its 365 own brand.

Safeway executives are enthusiastic about the result.

"We're very excited about our organics offering, particularly our O Organics line that we launched about a year ago," Steve Burd, Safeway's chairman and ceo, said in a conference call a few weeks ago, "and sales in the first year were about \$160 million, which was a tremendous success. We initially launched about 150 SKUs in that offering. It's been tremendously received, and because of that success, we are doing some line extensions, and we're targeting new products that we're launching early in 2007 and targeted at babies and kids."

Since its launch in 2005, O Organics has rolled out to over 1,800 Safeway stores in the United States and Canada. O Organics is found in all the Safeway banners including Vons, Dominick's, Tom Thumb and Randall's, not to mention the company's namesake units. Today, the O Organics line is comprised of about 200 products and is represented in categories including beverages, bakery, cereal, dairy products, snack items and canned and frozen foods.

Driving O Organics is a development sensibility that recognizes solid branding as critical, especially for private label lines such as O that have to fight for recognition in freezers and on dry grocery shelves with national brands sustained by sophisticated packaging, merchandising and marketing.

"We created O Organics as a consumer packaged goods-style brand within Safeway," said James White, Safeway senior vp of consumer brands. "We brought the same kind of passion, research and rigor in developing this brand as you'd find among leading consumer packaged goods companies. We turned to PBD for their expertise in creating and building brands."

With Safeway's brand strategy and marketing objectives in mind, PBD analyzed the food retailing landscape and researched consumer perspectives to develop packaging and graphics that spoke to critical concerns. "There are three major trends in shopping today. Customers want quality products, health and wellness, and simple solutions to complex lives. Our job in working with Safeway was to create an innovative brand that capitalized on these trends, [that] fit within Safeway's overall strategy for a healthy life and also increased Safeway's market share," said David Becker, president of PBD.

It was critical to establish O Organics products as authentic and ensure they lived up to accepted standards, he said. Authentic doesn't simply mean complying



Philippe Becker Design and Safeway developed packaging for O Organics that is bright, engaging and showcases the product line's superior quality.

PBD's staff was able to make a real contribution to developing and positioning products that spoke for Whole Foods. And the contribution doesn't just involve private label. PBD also worked with Whole Foods suppliers to improve their presentation on the retailer's shelves.

with Department of Agriculture organic standards but also living up to the expectations set by the brand positioning.

PBD learned a lot about organic brand positioning during its pioneering efforts on Whole Foods' 365 Organic brand. In developing 365 with Whole Foods, PBD looked beyond the most basic context—the natural food element—to what the consumer wanted from Whole Foods, a store that itself is designed to provide a unique experience for the shopper. With jaunty, sunny graphics, PBD sought to bring something of that better food/better store experience to bear in 365. "You need to feel and understand or you can't communicate the entrepreneurial passion. At first, we didn't know how to bring that into photo—to reflect it in the package photography, the tone—so it comes to life on shelf," Becker said.

Over time, though, by immersing themselves in the stores and familiarizing themselves with the selling proposition,

"The perfect scenario is where you have a product that has a lot of stuff to grab onto and for you to use for a platform. A good example is a package of Kimberly wine vinegar. They were one of those smaller companies selling at Whole Foods. They made the vinegar using an old French method using oak casks. We got an education in vinegar, and we said, 'Let's put oak casks on the label to show this fascinating heritage.' People were able to look at the package and understand that this is different and why they're paying twice as much for it."

With the new look, Becker said, Kimberly wine vinegar doubled its share at Whole Foods, and PBD won an American Graphic Design Award for its work on the product packaging.

Still, the challenge for O Organics was formidable. In the store environment, organics are competing not only within the natural food sphere but beyond, with other upscale and gourmet products that promise consumers a superior dining experience, Becker noted.

With Safeway, part of the challenge was overcoming consumer perceptions of what a private label line from the supermarket might be. Fortunately, Safeway was working on those kinds of perceptions as O Organics was being developed. Safeway began remodeling to its Lifestyle format, one that replaced dated store designs and merchandising with a more upscale style that sports gourmet flourishes. So, O Organics got a boost from Safeway's efforts to improve the company's image, but it also makes a contribution.

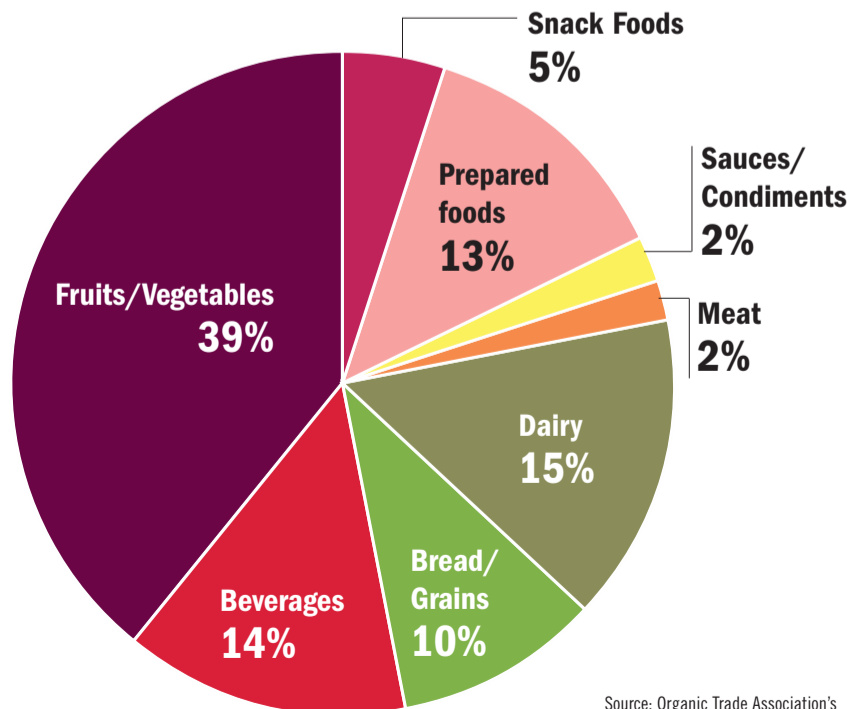
"One of the things we always felt the line needed was to have taste appeal. With 70% of all purchasing decisions being made in-store, if you are going to have a lemon tart in the freezer case, it has to be yummy enough that consumers want to take it out of case. You need a beautiful illustration, photographs so people can feel good about buying. You have to find the balance between authenticity and making it something that is going to prompt a visceral reaction from the consumer," Becker said. ■

CATEGORY PERCENT SHARE OF ORGANIC FOOD MARKET

Organic food penetration has grown steadily, reaching \$13.8 billion as of 2005, with fruits/vegetables leading the way but with smaller sub-categories like sauces/condiments making headway.

Sales by category (in millions)

Dairy	\$2,140
Bread & Grains	1,360
Beverages (incl. non-dairy)	1,940
Fruits & Vegetables	5,369
Snack Foods	667
Packaged/Prepared Foods	1,758
Sauces/Condiments	341
Meat/Fish/Poultry	256
Total Organic Food Sales	\$13,831



Source: Organic Trade Association's 2006 Manufacturer's survey, covering 2005 year

WHAT'S HOT



SPIRITED FLAVORS

A new round of flavored spirits are debuting to satisfy evolving tastes and bring more color to consumption.

United States Beverage this fall is releasing Tequiloco Paloma Gold (pictured), a ready-to-drink spirit-based cocktail made from gold tequila and citrus, while Turkeys has introduced a line of flavored tequilas including Vanilla Coffee and Watermelon. At the same time, Diageo is rolling out Tanqueray Rangpur Gin, distilled with Rangpur limes for a more subtle taste and smooth finish at a suggested retail price of \$21.99 for a 750-mililiter bottle.

BEVERAGES

Upscale beverages fit consumers to a tea

Retailers look to cash in on popularity of coffee/tea with in-house cafés

By MIKE DUFF

Upscale coffee and tea operations are becoming more closely integrated with mainstream food retailing. With foodservice operations springing up alongside and often inside food retailing units, coffee and tea sales can't help but be more heavily influenced by foodservice developments.

Expect to see more retailers adding cafés.

As with many dynamics related to coffee, Starbucks energized the trend, prompting retailers to covet those dollars consumers were passing to their competitors in foodservice. Some pursue the Starbucks customer directly, and that has helped boost the importance of coffee at Safeway, for example. The Starbucks connection has been a critical element in Safeway's upscale positioning efforts with its Lifestyle store prototype. "In terms of premium coffee, we are the largest Starbucks licensee with 879 locations," Steve Burd, Safeway's chairman and ceo pointed out during a recent analysts meeting.

Of course, Target also hosts a significant number of franchised Starbucks locations as well, but not everyone is building on the Starbucks name. In its expansion of deli into gourmet meals, Publix went a different way and developed a coffee bar that features freshly brewed

Van Houtte coffees. At Supervalu's natural food-oriented Sunflower Market stores, the coffee bar features Green Mountain organic brews.

So, as retailers have become more involved with gourmet grocery, they also have contributed to making gourmet coffee into the norm.

In March, Ahold U.S. rolled out a selection of upscale Peet's coffee and tea products through the grocery sections in 239 Stop & Shop stores in Boston and Connecticut. Stop & Shop customers now can purchase Peet's products including French Roast, Major Dickason's Blend and Sumatra in 12-ounce bags.

The major reason given for the Peet's addition is the growing demand for distinctive, hand-roasted coffees.

So, Stop & Shop is happy to have Peet's on its shelves, but that doesn't mean that a nice café isn't an attractive addition, too. The chain has rolled out hot coffee operations, with 28 stores mostly on Long Island and in New Jersey, in the form of franchised Starbucks operations, with more coming. Sister banner Giant-Landover is



As part of its efforts to upscale its stores, Safeway has opened up Starbucks locations inside its Dominick's banners (pictured).

subject to a similar initiative, with 19 units operating Starbucks franchises so far.

"Starbucks' strong focus on customer service will be a great way for customers to start their shopping trip," said Stop & Shop spokesman Robert Keane. "Cupholders are added to [shopping carts] to allow customers to enjoy some great Starbucks coffee while they shop. Most stores will have seating areas and access to free WiFi. All of this will enhance the shopping experience at both Stop & Shop and Giant stores." ■

WHAT'S HOT



SUPER FOODS

Promotional boards, produce distributors and other fruit and vegetable processors are pushing the antioxidant qualities of their products, particularly if they qualify as disease-inhibiting "super foods."

For example, Sambazon is offering açai in frozen form, just as Brazilians favor it, while Frieda's is promoting its dried Goji berries (pictured)—which can be clip stripped for greater visibility—in 3-ounce packages priced to retail at between \$2.99 and \$3.99.

FRESH/FROZEN

New Publix gourmet cuisine out of this World

New prepared foods program being tested should provide valuable customer insight

Publix is further exploring the gourmet side of deli. In a store opened on April 12 in Lakeland, Fla., the supermarket operator debuted the World Culinary Cuisine prepared foods program that includes Asian and Mediterranean food presentations as well as soup and sandwich stations.

The program includes nine different elements, and it will be evaluated by component and in its entirety for potential rollout in other Publix supermarkets.

"This is something brand new for us in Publix," said spokeswoman Maria Brous. "We'll gain valuable knowledge about what works well. As we open additional locations and remodels, we'll see what might do well in different stores."

The new gourmet offerings are in addition to the traditional, already upscale assortment consumers find in Publix' deli operation.

According to Publix, the new 51,000-square-foot Lakeland store devotes 4,500 square feet to the World Culinary Cuisine prepared foods "experience," which will include more than 80 entrees to satisfy a range of tastes and occasions. Everything is distinctly organized. The



Among the offerings in the World Culinary Cuisine program Publix is testing are hand-crafted sandwiches (above, left), custom salads (above, right) and prime rib from The Carvery (left) as well as cooked-to-order salmon and steaks and chef-prepared entrees.

Pacific Wok selection of Asian specialties includes Kung Pao scallops and Mongolian beef while the Mediterranean Oven features old-world-style pizza and roasted entrees, with the entire offering inspired by the cuisines of Italy, Greece and Spain. Handcrafted sandwiches feature Artisan breads stacked with slow cooked deli meats and gourmet cheeses and the Soup Station provides six freshly prepared, chef-inspired soup creations.

Among the other prepared food trends is The Grill, offering cooked-to-order favorites from curiyaki salmon to churrasco steaks. The Carvery includes hickory- and molasses-crusted tenderloin of beef and other meat and seafood selections. Chef's Selections showcases chef-prepared specialties while custom salads provides healthy greens made to order. And a Coffee Bar tempts with Van Houtte coffees, hot chocolate and frozen fruit drinks.

Brous said Publix customers have grown to rely on the supermarket operator's deli to deliver high quality, wholesome foods conveniently.

With the World Culinary Cuisine line, Publix was ready to push the envelope a bit, but with the goal of enhancing family life.

"The line is much more experimental," Brous said. "We looked at popular cuisines and what we know about the customer base to determine direction. ... It competes with casual restaurants but enhances the convenience so consumers will be able to take their food home without waiting and eat around the dinner table."

Price points for World Culinary Cuisine meals range between \$7.99 and \$11. ■

FRESH/FROZEN

Gourmet foods with grocery convenience

Going gourmet isn't easy for mainstream food retailers as specialists will always try to go one better.

For example, FreshDirect has debuted the latest in its line of restaurant-inspired meals under its Fresh Dining label. The meals and ready-to-grill items were developed with Rosa Mexicano, a New York City restaurant, and its award winning chef and culinary director Roberto Santibanez. Items in the latest lineup include Beef Short Rib Enchiladas with Salas Mestiza & Cactus, Grill-Marked Chicken in Tequila-Mushroom Cream sauce with Snow Peas and Turbot in Veracruz sauce over Achiote Rice with Asparagus and Chaote. The items range in price from \$8.99 to \$13.99.

FreshDining meals are delivered in a package that includes a steam valve to ensure proper cooking and meal results.

Grill items range from Three-Chili Marinated Skirt Steaks to Rosa Mexicano's Antibiotic-Free Rotisserie Chicken to Swordfish Steaks with Chili Guajillo

Adobo. Prices for the grill items range from \$4.99 a pound to \$11.99 a pound to \$8.99 for a half pound of the swordfish.

Steve Michaelson, FreshDirect's president and ceo, said the restaurant-inspired meals had caught on with the web-based delivery retailer's customers, boosted by the original line developed with chef Terrance Brennan and introduced just a few months ago. "It's going good so far," he told *Food Retailing Today*: "Sales are up virtually 100%."

The spicy Rosa Mexicano line was developed to complement the classic Terrance Brennan dishes, Michaelson noted.

Balducci's, the 10-unit specialty food store chain, has teamed with Snake River Farms—which developed American-style Kobe beef—to introduce a new line of deli meats and sandwiches.

The Snake River Farms version of Kobe comes with a much leaner price tag than imports from Japan, Balducci's introduced Snake River Farms roast beef for \$13.99 a pound as well as corned beef and pastrami for \$12.99 a pound. ■

SPECIAL REPORT

Whole Foods expanding organics

Whole Foods regards its private label program as a significant success and opportunity. Last September, Walter Robb, co-president and coo, told analysts that 67% of Whole Foods sales were in perishable foods and about 8% are private label products, but he noted that private label proportion will grow.

"We are going to put a greater emphasis on private label. One of our competitors, Trader Joe's, has up to 80% of their products as private label items. Whereas I don't think Whole Foods will ever get to that percentage, I wouldn't be a bit surprised to see that percentage get up to 40% or 50% of our nonperishable sales."

A month later, John Mackey, Whole Foods chairman and ceo noted that the private label program is coming along. He said that, in the private label brands Whole Foods offers, including 365 and Allegro Coffee, "We are up to 1,800 SKUs. And that now equals about 17% of grocery and Whole Body sales," he said. ■

BEVERAGES

Coffee overflows segment boundaries with energy

Retail's relationship to the coffee category is evolving rapidly but the dynamics involved are energizing a number of segments including the crossover dimension between java and energy drinks.

Shocked coffee characterizes its positioning as establishing a segment, hypercaffeinated brews. It offers in both hot and ready-to-drink products—in a range of retailer environments including convenience stores and certain Barnes & Noble locations—that compete for both the gourmet coffee and energy drink consumer. President Jeffrey Rosen traced the roots of his hypercaffeinated segment back to the common source, Starbucks. Even ready-to-drink was popularized by the gourmet coffee pioneer. "My take on it is, you have to look back to when Starbucks launched its Double Shot and Frappacchino," he said.

The buzz in the market continues as vendors have been forced by the coffee category's rapid development to become ever more innovative. Shock-A-Cino is the latest from Shocked, but much more is coming down the coffee product

pipeline as vendors and retailers build on market trends to chase a growing, high-margin business.

While Shock includes coffee with energy drink elements, innovative products may be built on a variety of factors. For example, JavaPop, is launching nationwide with an organic, Fair Trade-certified coffee soda. Carbonated and sweetened with organic pure cane juice, JavaPop is non-diary and free of sugars, chemicals, preservatives and additives, the company stated.

Nutrition always is a consideration and anti-obesity activists have been decrying the calorie count of many gourmet coffees. Frappio has an answer, though, in its Light Latte, a product that contains just 60 calories, four net carbs and four grams of sugar per serving.

The brand, packaged in cans and touted for its "jitter-free energy" and appetite-suppressant qualities, is another that's been positioned to attract energy drink users. Currently, Frappio products are available through select 7-Eleven stores nationally and regionally through other convenience, grocery and vending outlets. ■

Starbucks or not, retail coffee makes headway

With Starbucks' expansion and marketing spend, along with the contribution of Dunkin' Donuts and other foodservice coffee brewers, the modest gains food retailers have made in coffee might be regarded as an accomplishment.

At food, drug and mass-market retailers, excluding Wal-Mart, coffee category sales gained 3.6% to \$3.38 billion in the 52 weeks ended Jan. 7, according to ACNielsen. The gain comes on top of 12% growth in the 52 weeks previous. Ground coffee was up 3.9% in the year ended Jan. 7, but it was the liquid coffee segment that leads the way with a 23.2% gain.

Interestingly, in the latest 52 weeks, flavored coffees, which have been the mainstream answer to gourmet products, fell by 7.7%, the fourth straight year of declining sales. ■

SNACKS/CANDY

Candy makers looking to improve on nutritional value

Candy is no longer independent from trends in the food business. Healthier candy has been a growing consideration as of late, and fat-free, low-carb and sugar-free variations have been followed by a new generation of better-for-you sweets.

Of course, what's better has a lot to do with the perception of the individual consumer. Clearly, fat-free isn't better for a diabetic. Still, it isn't just developments with consumer health that are driving candy makers to create nutritional variations.

These days, candy makers have to look over their collective shoulders at the food bar sector, as a whole segment of that business has come closer in form and flavor to candy. Larabar's jocalat line, in flavors like chocolate coffee and chocolate mint, straddles the line between brownies and candy bars. It's got more going for it than taste, though. It's organic, its fair trade, its chock full of vitamins and minerals and, so, can speak to several issues. Clearly, though, flavor is the central selling point. And the Larabar

folks aren't just focusing on flavor with the jocalat line. Larabar is taking on the treat business generally. Under its own name, it is introducing Key Lime and Pistachio flavors. Those new items should position Larabar to contest for customers with trendy pies and muffins, with, of course, a nod toward wellness as they have those oh-so-attractive vitamins and minerals and no added sweeteners.

Healthier snacks have posed a serious challenge to candy makers as obesity and related concerns have forced a repositioning of many treats as meal replacements or reward products rather than something people can just pop into their mouths without a care. Packaged Facts noted that yogurt snacks gained \$721 million in the five-year period from 2001 to 2005. Food bars and nut snacks also saw healthy gains in a half-decade during which greater emphasis has been placed on natural and nutritional claims such as "no trans fat" and "nothing artificial."

"In the last five years, snacking overall has increased by 1.5%

as the trend for meals being replaced by snacks continues to grow," said Don Montuori, the publisher of Packaged Facts. "Consumers, are serious about these 'meals' being healthy. Simultaneously, manufacturers are serious about meeting consumer, watchdog, and governmental demands to make snacks more nutritious, particularly those aimed at kids. These factors are driving a fundamental industry shift which should expand it while making snacking healthier."

All that being posed, candy isn't on its last legs. In fact, new studies have provided more evidence that dark chocolate really is good for folks. Few major candy producers have been able to resist the healthy lure of dark chocolate, and not all who have gotten in on the trend might have been expected to react. Among those that responded is the Wm. Wrigley Jr. Co., which rolled out Altoids Dark Chocolate Dipped Mints with a Valentine's Day marketing campaign celebrating Cupid's darker side and temporary premium sampling stores in New York City,

Chicago, and Miami, as well as local and national print advertising, and a new Web site: www.sayitwithaltoids.com.

For all the fun, dark chocolate is a series business proposition for candy producers. In announcing its first quarter results for the current fiscal year, Hershey's stated that it's counting on new product platforms, including refreshment, premium and dark chocolate, to make meaningful contributions in 2007, and pointed to its Cacao Reserve—an exotic dark chocolate line—as on track through the distribution process with its launch being smoothed with investment in trial designed to firmly establish the brand with consumers.

Yet, with folks like Larabar bringing new issues into the mix, at least a proportion of the consumer population is going to have more factors in mind as they stake out positions on the treats they prefer.

Lake Champlain Chocolates is a taking a bead on emerging demand with a line of certified organic 1.25-ounce chocolate bars and 0.28-ounce chocolate

squares in four flavors. The Dark Chocolate has a 55% cocoa content while Milk Chocolate has a 34% cocoa content. Dark Spicy Aztec offers a 55% cocoa content along with organic cayenne pepper, pumpkin seeds, and cinnamon, while Organic Milk Sea Salt and Almonds provides a 38% cocoa content in formulation with grey sea salt and roasted organic almonds.

As consumer consideration of what's better for them diverges, candy is going to have to keep up. For some consumers today, what's better for the world is better for them, or at least an excuse for an indulgence.

"Especially for product that is not necessary, an indulgence, a lot of people want to feel as good as they can about that indulgence, whether if it's organic, if it's fair trade or if it has some more refinement," said Chris Middings, Lake Champlain Chocolates marketing and communications manager. "There are people who wouldn't be eating a chocolate bar unless it was organic or fair trade. That's the e-mails I get." ■

GROCERY

Vendors look to convenience products to satisfy customers

Convenience meals and entrees are taking on new forms on grocery shelves. Given the overall direction of food retailing toward easy-to-prepare and flavor-infused items, the reign of products that are meal ingredients was bound to falter.

As perishables departments in food retailing have devoted more space to meal solutions, in part to satisfy emerging consumer needs and in part to differentiate the offering, grocery vendors could not help but follow suit. Developments in two segments illustrate where grocery is headed.

Canned tuna fish, once the stuff of sandwiches and casseroles, today has taken on a number of new characteristics. It is found in pouches, for one thing, all the better to serve for the low-calorie lunch or light meal occasion.

Yet the pouch business has itself evolved to produce a whole new range of entree products. Each of the major brands has taken its own tack on the development, but all include tuna and salmon entrees.

Bumble Bee has even moved

beyond seafood and introduced a line of pouched chicken breasts in Garlic & Herb, Southwest Seasonings and Barbecue Sauce varieties.

Not that Bumble Bee has entirely abandoned the sea as it seeks to innovate. The company also has launched Easy Peel Sensations Seasoned Tuna Medleys. The low-calorie 5-ounce gently marinated and seasoned tuna entrees are packed in convenient easy-to-open foil top cans, making them even simpler to eat for light meal customers and bringing convenient tuna product development back to its roots. The product line is available in three flavors Spicy Thai Chili, Sundried Tomato & Basil and Lemon & Pepper, demonstrating the impact of evolving flavor preferences on the category.

Bumblebee ceo Christopher Lischewski said of the Easy Peel Sensations launch, that the company now has a product offering that incorporates evolving product trends in that each is "low in calories and carbohydrates while high in healthful proteins, and a good source of omega-3 fatty acids."

Easy Peel Sensations have taken their place along a continuity of Bumble Bee products that provide for various meal occasions. "We've got several," a spokeswoman pointed out, that start with pouches and recently manifest in snack products that include crackers and the Easy Peel Sensations light meals.

Tuna needs a boost. For the past four years, at food, drug and mass-market retailers, excluding Walmart, shelf-stable tuna sales have been flat to slightly down in dollar terms. Still, it's worth noting that dollar sales have fared better than unit movement, which has been down by the high single digits, suggesting that consumers have preferred better products.

In contrast, instant rice, rice dinners and rice mixes have been volatile over the past four years. Instance rice was up in 2005 and 2006 after two years of declines while rice dinners over the past four years have book-ended gains with losses. Overall, however, instant rice is off for the four-year period, ACNielsen noted, with sales declining from \$85.7 million to

\$76.5 million. Rice dinners are ahead of the game after four years, last year posting sales of \$55.5 million versus \$53.9 million in 2002, while rice mixes lost some ground, going from \$534.1 million in 2002 to \$486 million last year.

The rice side dish segment is undergoing rapid change. Convenient pouches are important here as well, but as a microwave format. Rice-A-Roni last year addressed health trends with a line of whole grain side dishes influenced, the company noted, by world cuisines. The line included three flavors, Chicken & Herb Classico, Roasted Garlic Italiano and Spanish, thus addressing the sophisticated tastes of consumers.

The brand also has introduced Nature's Way, a line with no artificial flavors or preservatives in four varieties, Long Grain & Wild Rice, Parmesan & Romano Cheese, Italian Cheese & Herb and Mushrooms in Cream Sauce. Packaging graphics were conceived to use colors, arrangement and fonts typical for natural and organic product lines signaling Nature's Way positioning to con-

sumers. And, in taking on that market, the rice side dish sector is trending with perishables on the natural track.

The development of the tuna and rice side dish segments certainly can be beneficial to mass market food retailers. Discounters, for example, can provide entrees and other conveniently prepared items without having to offer perishables, which could help them pace developments in supermarkets and supercenters and keep pace with the consumer expectations those formats are creating. Maximizing the impact of new generation groceries may await a particularly creative merchandiser, however. Just racking them next to traditional product probably won't encourage a wider variety of consumers to try pouch salmon steaks or whole grain rice, even if consumers are trying to eat healthy in a hurry. Yet, as consumers are exposed to ever-more-convenient food choices, grocery operations will have to do more to remind everyone that they, too, can satisfy evolving preferences. ■