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Photo: Marcus Kosa/Mind's Eye Ltd.

It's here!: Premier rolls out of Marcus Distributing Inc. in suburban St. Louis.

RJR crams for Premier tests

Wholesalers predict heavy trial

Wholesaler opinion on how Premier, R.J. Reynolds' so-called "smokeless" cigarette, will fare in test were as mixed as those in the general public during the first weeks of distribution.

But most of the wholesalers in the Phoenix/Tucson and St. Louis test-market areas interviewed by *U.S. Distribution Journal* agree they have rarely seen a new cigarette as heavily promoted and receiving as much publicity as Premier.

"We're expecting an initial surge [of orders] as people buy it out of curiosity," said Joe Daily, tobacco buyer for Mound City Industries in St. Louis. "When [most] new brands come out there's generally a surge in interest. After that, everybody's guess [on how it will sell] is as good as mine with this brand."

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Warehouse club influence grows in food industry: analysts

Price Co. acquisition of Alfred M. Lewis should concern some wholesalers

By Sidney Stevens
Senior Writer

SAN DIEGO: The Price Co.'s planned acquisition of Alfred M. Lewis Inc., the first acquisition of a food wholesaler by a warehouse club company, signifies the growing influence of warehouse clubs in the food distribution industry and should be cause for concern among traditional wholesale companies, industry analysts say.

"If [independent wholesalers] haven't been worried in the past,

they should be now," said Richard Pyle, managing director of Piper, Jaffray & Hopwood, Minneapolis, who analyzes warehouse club companies.

Price Co., which operates 39 Price Club membership warehouse stores, announced in September that it had signed an agreement in principle to acquire Lewis, a \$537 million grocery wholesaler based in Riverside, CA, for about \$48 million, or \$37 per share.

Under the agreement, Price Co. would not only acquire Lewis' three distribution centers in Riverside and Northridge, CA, and Phoenix, and 35 cash-and-carry outlets, but also has an option to acquire three pieces of real estate in Los Angeles and San Diego counties and in Phoenix.

The option includes Lewis' operating warehouses in Northridge (286,000 square feet) and Phoenix (483,000 square feet), as well as the 175,000-square foot warehouse in San Diego that was shut down in June 1987.

If the plan works out as expected, Price would own those three properties and Lewis' 376,000-square-foot Riverside warehouse and the 171,000-square-foot facility in Las Vegas that Lewis closed in November 1986. The deal, subject to federal approval, could be com-

pleted this month.

Price Co. would say very little about its reasons for the acquisition or its plans for Lewis once the deal is completed.

"[Lewis] had some very attractive real estate, like the Northridge property," said Dan Carter, vice president of finance at Price. "It's very hard to come by property of

that size in that area. We think it has potential for a Price Club store." He declined to comment on the company's plans for any of the other properties.

Analysts agree that the acquisition is related to real estate and possibly to Lewis' customer base.

"Price wanted the opportunity to

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FAST BREAK

AMERICAN STORES CO. has been ordered by a federal judge in California to temporarily halt the merging of its Alpha Beta supermarkets with the Lucky stores it recently acquired for \$2.51 billion. In an antitrust suit filed last month, California State Attorney General John Van de Kamp, claimed that the transaction would lessen supermarket competition in the state and result in \$400 million a year in higher prices for consumers. If permitted, the Alpha Beta-Lucky combination would give American 542 stores in California, all operating under the Lucky name.

OPERATIONS PRODUCTIVITY

Technology is integral to the future of Lewis Bear Co., a \$240 million wholesaler in Florida, which electronically transmits orders to vendors. For this operations productivity success story, see page 19.

More than 24 million of this country's smokers will travel this summer. Make room, America!



America's smokers travel by land, by air, by sea. They travel far and wide.

During the summer, resort hotels alone will welcome 5 million smokers and their families. More than 7.5 million will travel the U.S.A. More than 2 million will head overseas. And 5 million will take to the air. Spring, summer, winter and fall, smokers keep the travel industry of America occupied.

**The American Smoker-
an economic force.**

**PHILIP MORRIS
MAGAZINE**

Presented by Philip Morris Magazine in the interest of America's 55.8 million smokers.

Source: The Roper Organization.