

Advantage

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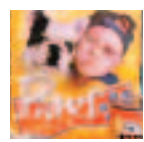
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Premiering from Topco

IGA, Inc. joins Topco

Topco is pleased to announce that in February the Topco member-owners approved IGA, Inc. as a full member. IGA will be participating in the Frozen, Dairy/Bakery, Grocery, Health & Beauty Care/General Merchandise/Pharmacy, Equipment & Supplies, World Brands and Branded Meat programs.

"IGA is a premier supermarket network and we are excited to welcome them to Topco," says Ken Guy, Senior Vice President, Member Development for Topco. "The relationship between Topco and IGA will be of significant benefit to everyone."

IGA, which is headquartered in Chicago, provides products and services to approximately 1,300 IGA bannered stores in the United States through a network of 14 distributor/wholesalers. Plans call for having the individual IGA distributor/wholesalers purchase the IGA brand through

Topco; therefore, the ramp-up is expected to take place over a period of time. IGA's Chairman and Chief Executive Officer, Tom Haggai, will serve as the company's representative on the Topco Holdings, Inc. Board of Directors. **T**



Meijer honored as an industry leader

Topco member-owner Meijer, Inc. has been presented with the Private Label Pioneer Award by *Private Label Magazine*. In honoring Meijer, the publication emphasized the organization's strategy of reengineering itself to better compete in the constantly evolving retail industry.

Meijer, based in Grand Rapids, Michigan, operates 158 supercenters in five states. The company, which will be celebrating its 70th anniversary this year, has stated that after all this time, Meijer's primary commitment to offering better prices and better quality remains unchanged, according to *Private Label Magazine*.



As they move forward with their reengineering project, Meijer has noted that its corporate brand program is playing an important role. *Private Label Magazine* notes that Meijer's corporate brands provide a significant point of difference when it comes to giving consumers another reason to choose Meijer over its competitors.

Meijer over its competitors.

"Guests understand that private label quality is on parity (and in many cases, superior) to national brands but costs less...a true value equation," says *Private Label Magazine*. "A strong private label program is a critical component to maintaining guest loyalty to Meijer." **T**

Topco targets economy-minded consumers

Topco has expanded its popular Valu Time line to include perishables, and has introduced a new program to help members capture even more sales from economy-minded consumers.

Valu Time goes perishable

During 2003, the Valu Time brand experienced significant growth, with member purchases increasing by more than 50%. While most of this explosive growth has been driven by center store items, the consumers' positive response to Valu Time suggested that there was significant potential to expand the line into other areas of the grocery store. With this opportunity squarely in sight, Topco now is introducing a Valu Time

perishables line, which positions the brand for continued

"double digit" growth.

"A number of members have been asking for perishable items, because of intense price competition from economy formats like Aldi and Wal-Mart, along with control brands like Bar-S" says Miles

Nyland, Topco's Business Manager, Perishables.

"The new perishable Valu Time items provide the ammunition our members need," Nyland says, adding that these items can be priced significantly lower than mainstream products, without any margin give-up.

Topco has assessed many opportunities in the perimeter departments and, as a result, a wide variety of Valu Time perishable items are available now. New deli case products include ham, white turkey, regular-sliced bologna, and thick-sliced bologna. New meat department offerings

include hot dogs, smoked sausage links and Polish sausage links, amongst others. Topco also is currently developing items for the dairy aisle such as yogurt, sour cream and cottage cheese, along with a line of sweet goods for the bakery department.

"We are excited about this new product line and are looking forward to working with each and every member to grow the Valu Time brand," Nyland says. "Valu Time has been a successful business for our members in recent years, and adding perishable products to the line will build on that success even further."

Dollar I\$leSM

Believe it or not! The fastest growing retail format in the country is dollar stores. Presently, 32% of households shop in dollar stores, buying an average of 10 to 15 items per visit. To combat the growing competition from Dollar General, Family Dollar Stores, Dollar Tree and others of their ilk, Topco has introduced an exciting new program... Dollar I\$le. This program offers a comprehensive, turn-key solution enabling members to merchandise an entire aisle in with dollar-store items.

The comprehensive Dollar I\$le program features three key benefits to Topco's membership:

- ▶ "One stop shopping" with access to over 5,000 general merchandise items, including toys, household gadgets and utensils, candles, hardware, electrical goods, party supplies, photo products and more. In addition, more than 100 Valu Time items can be priced at \$1, with more expected in the future.
- ▶ Turn-key merchandising support customized for each member, with signage and shelf strips that enable members to create a destination aisle to attract economy-minded shoppers.
- ▶ "Dollar store expertise to transfer best practices from between members, while providing participating members with tailored programs.

"Dollar I\$le offers a complete solution for all of our members' dollar-item needs," says Dan Mazur, Senior Vice President, Center Store Program Management. "With the recent success of this retail format, we're very excited about the growth prospects for our Dollar I\$le program." **T**



Wholesale Channel shows strong growth


In the first quarter of 2004, member purchases in the Wholesale Channel were up 16%, continuing the momentum begun in 2003 when the channel experienced over 30% growth. "The increase traces to several factors," says John Stanhaus, Senior Vice President and President of Topco's Wholesale Channel. "Growth in member market shares, greater penetration of Topco programs and an increase in the number of Topco brands carried by the wholesale members all have contributed to our recent success."

The market share increases achieved by many of Topco's Wholesale members have been driven by organic growth, as well as being more competitive in their local marketplaces through expanded offerings. Since joining Topco, the Wholesale members have taken advantage of many new and/or enhanced programs not previously available to them, such as fresh meat and dairy. "In the area of fresh meat, Topco's ability to aggregate the volume of members from all three channels has resulted in very attractive pricing for our Wholesale Channel members," says Stanhaus.

The Wholesale Channel also has benefited from the integration of several Topco brands, including Top Care, Dining In, and Valu Time. "The Valu Time brand allows us to offer our retailers quality products at bargain prices, making it possible for them to compete with the national discount retailers without sacrificing margin," states Jay Campbell, President and CEO of Associated Grocers, Inc.

All of these factors, combined with the shuttering of a major competi-



tor, have fueled dynamic growth in the channel. "Since Fleming has gone out of business, the number of stores our wholesalers supply has increased by almost 300. Now, more than ever, our members rely on Topco's procurement expertise and private label programs to enable them to serve their expanded retailer base and future growth," says Stanhaus. 

Produce program harvesting big gains

Most members agree that perishables, particularly produce, is a critical area of differentiation versus Wal-Mart, Kroger and the other national players. "We recognize the key role produce plays in our membership's businesses, so the continued development of the Topco produce program has become a strategic priority for our management team" states Russ Wolfe, Senior Vice President of Perishables for Topco. Topco's action plan focuses on achieving greater cost savings by aggregating members' volume, while increasing Topco's purchasing focus, capabilities and expertise to achieve "best in class" procurement status.

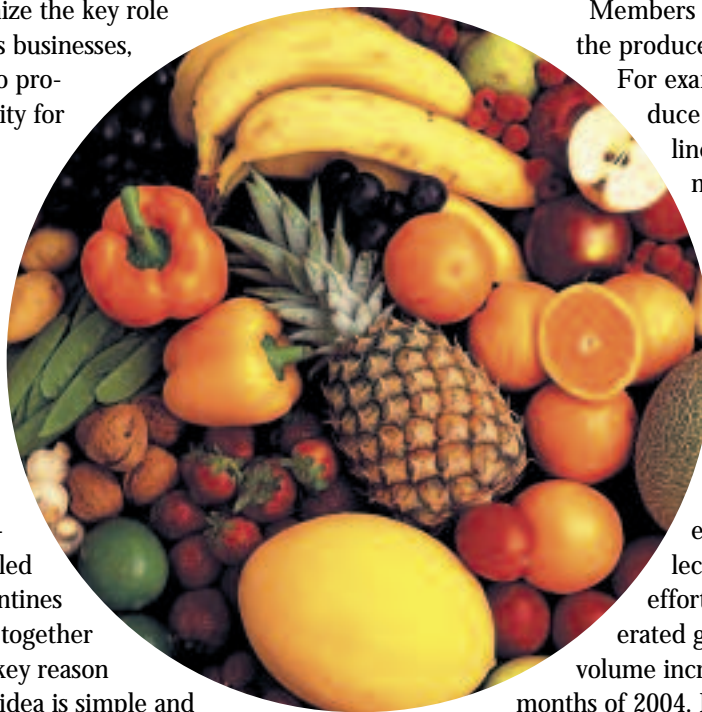
The impact of Topco's new, more intensified produce efforts already have paid big dividends. Participating members have reaped \$3.4 million in annualized savings by aggregating their volume in Topco-led negotiations in bananas, pineapples, clementines and carrots. Members' willingness to band together to purchase these categories has been the key reason for the success of these negotiations. "The idea is simple and it works," states Wolfe. "Throughout the contract negotiations, the members' commitment and tenacity in sticking together earned the respect of

the supplier community and had the ultimate effect of shifting the negotiating leverage to Topco."

Members also are capitalizing on synergies between the produce program and Topco all-member brands.

For example, currently there are 60 organic produce items available in the Full Circle product line, which is expected to expand in the months ahead. In addition, Topco has rolled out a variety of convenient bagged and bowl salads under the Dining In brand, which has met with positive consumer acceptance.

"We've accomplished a great deal in a short time," says Wolfe, "and we have aggressive plans to continue this momentum. We'll be initiating additional contract negotiations, block buys and exploring other ways to leverage our collective buying power. We believe these efforts will reward the program with an accelerated growth rate, hopefully extending the 29% volume increase we've enjoyed during the first four months of 2004. Most importantly, our members' are driving increased volume, higher margins and greater differentiation...all keys to their long-term success," concludes Wolfe. 



Recent Executive Changes

Topco announces the promotion of Marc Kurkiewicz
Topco recently announced the promotion of Marc Kurkiewicz to Vice President of Meat Programs. Marc's new responsibilities include strategic planning, program management and development of innovative solutions for Topco members in the growing \$1.2 billion Fresh and Branded Meats programs.

Prior to his promotion, Marc was Director of Member Development. In this role, he worked closely with Topco member-owners and prospective members to expand their involvement in the cooperative. Before joining Member Development, he was the Director of Branded Meat for several years and was a driving influence in the launch of Topco's highly successful Dining In, a branded solution in the "ready meals" category.




Marc Kurkiewicz

"Marc has excelled in his various roles within the organization and we are pleased he will be leading our meat programs," says Jeff Posner, Executive Vice President and Chief Procurement Officer for Topco.

Topco welcomes two new board members

At this year's Topco Annual Membership conference, the Topco board of directors approved nominations of two new board members, Ray Burgo and Don Baker.

Ray Burgo currently is the President and Chief Operating Officer of Giant Eagle, Inc., a Topco member since 1962. Don Baker is the Executive Vice President and Chief Operating Officer of Stater Bros. Markets, located in Colton, California. Stater Bros. was approved as a full Topco member-owner in March of 2003.

Topco also recognized its former Chairman, Charlie D'Amour, Executive Vice President and Chief Operating Officer of Big Y Foods, Inc. for his contributions to the cooperative. Charlie served on the Topco board from 1995 through the beginning of this year and held the position of Chairman from 1998 until 2001. 



Steve Lauer and Charlie D'Amour

Meeting
Reminder
Topco LLC Annual
Membership Conference
The Phoenician
Scottsdale, Ariz.
March 3-4, 2005

New initiatives add to members' arsenals

At the recent Topco Annual Membership Conference, several new initiatives were unveiled which were enthusiastically received by Topco members. The conference included the premier of the World Classics Trading Company line of products (see Spring 2004 issue) along with the PAWS Premium™ and PAWS Professional® brands, two new pet food lines targeted at mainstream and premium consumers. In addition, members were also introduced to two new award-winning adult beverage brands being produced exclusively for Topco members. These new brands have been developed to help Topco members increase private label penetration and better differentiate themselves from their competitors.



Through PAWS Premium™ and PAWS Professional®, Topco is revamping its pet food program to help members reclaim market share lost to mass merchandisers and pet centers. "These two product lines, which will be rolling out this summer, feature excellent quality products that stand up well against competing national brands," says Norm Spencer, Topco Director of Business Management, Grocery Non-foods.

Packaging for PAWS Premium™ features playful images and romance copy depicting the special relationship between pets and their owners. Designed to compete against mainstream national brands, PAWS Premium™ includes canned and dry foods for dogs and cats, as well as cat litter, rawhide bones, biscuits and treats.

Packaging for PAWS Professional® super-premium products features a health and fitness orientation, symbolized by a prominent veterinarian endorsement. PAWS Professional® allows Topco members to compete in the growing, higher margin super-premium segment of the pet food category, which accounts for 25% of grocery pet food volume.

PAWS Professional® initially will feature dry food for dogs and cats.


In addition to the product's unique packaging, Topco offers members in-store marketing materials, such as floor graphics, shelf-talkers and information pamphlets, as well as an internet site – www.pawsforpets.com. The site will feature brand information, links to participating members' websites and a pet club membership which provides product and consumer promotion news.

Topco introduces a line of Adult Beverages

As part of its Adult Beverages initiative, Topco is introducing a two-tier wine program, with varietal wines in both the mid-tier and premium categories.

The mid-tier brand, Quill Creek, offers three popular California wines, including a 2001 Cabernet, and 2002 Merlot and 2002 Chardonnay. The Quill Creek wines are classic California wines, reflecting both the best varietal characteristics and the superb growing conditions of California. Recently, at the Monterey Wine Competition, the Merlot received the Silver medal and the Cabernet and Chardonnay both were the recipients of Bronze medals.

The premium brand, Cellars Crest, has also been created exclusively for Topco members. Cellars Crest is made from premium grapes and provides consumers with the optimal blend of high quality and attractive price points. In recognition of its superb taste and quality, Cellars Crest received multiple awards at several of the industry's most discerning competitions. Recently, at the Monterey Competition, the Chardonnay, Merlot and Pinot Grigio all received Bronze medals, the Cabernet took home the Silver medal and the Syrah was awarded the highest honor of all...the Gold medal.

"We are proud to offer such high quality brands to our members at a price that will allow them to realize excellent margins while still offering consumers great value," says Maryruth Wilson, Vice President of Brand and Product Innovation for Topco. 



Meeting reminder:
Topco LLC Annual
CFO Conference
The Sutton Place Hotel
Chicago, Illinois
October 22, 2004

Topco Members share ideas at recent conferences

Drawn by the opportunity to meet and share ideas, a record number of Topco member executives gathered last March at Topco's Annual Membership conference in Naples, Florida. The annual conference provides a forum for member-owners to exchange



industry insights, share best practices and gain a more complete understanding of key Topco initiatives.


The conference can be particularly valuable for newer members who may not be aware of all the Topco programs available to them. "As we began

speaking with fellow attendees and engaging with Topco staff, we realized Topco offers a wide range of programs that would benefit our company," said Tres Lund, president and CEO of Lund Food Holdings, Inc. based in Edina, Minnesota. "In many cases, Topco is the one-stop solution for lowered costs involving a wide range of services from waste collection to purchasing in key product categories."

In addition to recapping the highlights of 2003, Topco's management team presented a preview of new branding initiatives and cost savings programs to be rolled out in 2004. Included in the presentation was the introduction of several new brands, including World Classics Trading Company™ and PAWS Premium™, as well as innovative productivity programs, such as World Brands' Gold Club and Top-Sourcesm, a proprietary e-auction solution.

The conference also featured an industry overview by top-rated analyst Meredith Adler of Lehman Brothers along with an insightful panel discussion led by several Topco members including; Sam Duncan, President and Chief Executive Officer of Shopko Stores, Inc., Mike Houser, Vice Chairman, Executive Vice President and Chief Marketing Officer for Fresh Brands, Inc., Kip Palmer, President of Palmer Food Services, Inc., and Larry Zigerelli, Executive Vice Presi-

dent of Meijer, Inc.

Preparations already are underway for the 2005 Annual Membership Conference, to be held March 3rd and 4th in Phoenix. 


HBC/General Merchandise and Equipment show brings members and suppliers together

The recent Topco HBC/General Merchandise show provided an opportunity for members to meet with each other and the supplier community to explore business-building opportunities and identify ways to work more effectively together. The annual show attracted the largest number of members and vendors in its history, as the two groups came together for two days of one-on-one discussions on how to increase private label penetration and expand bottom-line margins.

The new Valu Time health and beauty care line and Topco's expanded General Merchandise program were showcased at the event, held April 19-21 at the Embassy Suites in Chicago. "As one of our major corporate brand events of the year, the show provides an excellent opportunity for our members to meet face-to-face with all of our major suppliers," says Curt Maki, Vice President of GM/HBC and Pharmacy for Topco.

Topco also hosted the fifth Equipment Conference, March 17-19 in Stone Mountain, Georgia. A presentation on how changing consumer trends will affect store design in the future was the highlight of the general session, along with presentations by key members about how to fully leverage Topco's capabilities.

On the second day of the show, members and vendors met face-to-face throughout the day. "This was a business-building exercise," says Ian Grossman, Topco's Senior Vice President, Cost Containment and Corporate Services.

"Topco's role is to create a forum in which members and suppliers can share ideas and develop actionable plans...to foster mutual benefits," Grossman says. He adds that more members than ever attended this year's Equipment Conference, with overwhelming positive feedback. 

Premiering from Topco

Each year, Topco introduces a wide variety of new products, reflecting our commitment to innovation. The following items are a recent sampling.

World Classic Trading Company Introducing the World Classics Trading Company™. This new brand has been designed with a distinctive personality and a wide range of equally distinctive products. Developed to directly compete with the premium brands of the national competitors like Trader Joe's Private Selection and Safeway Select. Contact Maryruth Wilson, 847-329-3603; mwilson@topco.com.



Quill Creek™ and Cellars Crest™ Wines

Now Topco members can enjoy high margins in the Adult Beverage aisle with the introduction of these fabulous wines! Cellars Crest™ features five varieties – Chardonnay, Merlot, Cabernet, Syrah and Pinot Grigio. Quill Creek™ includes 3 SKUS – Chardonnay, Cabernet and Merlot. Contact Leslie Heitz, 847-329-3273; lheitz@topco.com.



Baja, Guilder, and Culebra Beers

Just in time for summer! Now your customers can enjoy the crisp taste of these authentic imports developed exclusively for Topco members. Watch for more details in our next issue of Advantage or contact Leslie Heitz, 847-329-3273; lheitz@topco.com.



Shurfine 4-Pack Value Pizza

Shurfine introduces single-serve pizzas, topped with premium meats and cheeses. The 6.5 oz. 4-pack offers additional per-pie savings. Available in pepperoni and combination flavors, with each pizza individually wrapped for convenience and safety. Contact Greg Lenski; 847-329-3467; glenski@topco.com



Full Circle Cereals

New from Full Circle, Golden Flax Cereal is an excellent source of fiber and a good source of protein, providing 100 mg of omega 3 fatty acids per serving. Available in 15.5-oz. size. Health-conscious consumers will enjoy Crispy Crunch Trio Cereal, made with multigrain flakes, wheat bran twigs and granola cereal. Comparable to Kashi's Good Friends cereal, it has 6 grams of fiber per serving. Available in 13-oz. size. Contact Connie Kosnoff, 847-329-3406; ckosnoff@topco.com.



PAWS Premium™ and PAWS Professional® Pet Food

Topco's new PAWS Premium™ features upscale packaging with playful images of owners and their pets and includes a full line of dog and cat foods as well as treats, bones, rawhides and cat litter. PAWS Professional is aimed at the premium tier pet foods such as Iams. Contact Norm Spencer, 847-329-3580; nspencer@topco.com.



Organic Peanut Butter

Full Circle introduces Organic Peanut Butter made with organic Valencia peanuts. The creamy peanut butter has a rich, roasted peanut flavor with no artificial color or hydrogenated oils. Available in 16 oz. size, from Lansing Pool. Contact Chuck Harris, 847-329-3417; charris@topco.com.

Fruit Added Cereals

Food Club debuts three Fruit-Added Cereals: Honey & Oats with Strawberries, Toasted Oats with Strawberries and Toasted Oats with Mixed Berries. Take advantage of heavy TV advertising on the branded SKUs. Contact Kathy Babiarz, 847-329-3524; kbabiarz@topco.com.



Cleaning Wipes

Available in late June! An easy and convenient way to clean. Bleach-free and alcohol-free. Available in Fresh Scent and Lemon Scent. Features 35 wipes per container. Contact Melissa Dye, 847-329-3635; mdye@topco.com.



Topco Advantage is a quarterly newsletter published by Topco Associates LLC for executives of its member companies. The publication's mission is to update members on new developments, provide a forum for member sharing, and communicate cost savings generated by the collective volume, knowledge and commitment of Topco's members.

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