

## BUSINESS

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# Bristol Farms stores back in local hands

## A management group and an investment firm team up to buy the upscale chain

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Struggling against mounting pressure from big-box food retailers, grocery chain SuperValu Inc. has sold off its Bristol Farms stores to a team of local management and a West Coast investment firm.

Bristol Farms, based in Carson, operates mostly in Los Angeles County and is known for its organic products and seasonal edible gifts, thanks to an in-house catering service that cooks up everything from gourmet pastries to full holiday meals — all with upscale prices to match.

The 14-store chain, which also has locations in Ventura, San Diego and Riverside counties and in the Bay Area, and a Lazy Acres store in Santa Barbara, will continue to operate under their current names with existing local management.

Officials from SuperValu, Bristol Farms and Endeavour Capital, the investment firm, declined to discuss financial details of the deal. Kevin Davis, Bristol Farms' chief executive, said the chain had about 1,500 employees and pulled in more than \$200



**A LA CART:** Shoppers leave the Bristol Farms market in South Pasadena. The 14-store chain has about 1,500 employees and pulls in more than \$200 million a year in sales, Chief Executive Kevin Davis said.

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"We look forward to returning to local and independent ownership with the opportunity to reinforce our commitment to our local vendors," Davis said.

The company has struggled, with

same-store sales falling 5% to 7% during the height of the recession, Davis said. But as luxury spending started to rebound this spring, so too did Bristol Farms' sales, he said.

"We've been positive in sales since spring, and that's only increasing in

the second half of our fiscal year," Davis said. "We're finding that people are doing their holiday gift shopping in stores like ours. Food is a luxury, and it's not an expensive luxury."

With the sale completed Friday, Bristol Farms returns to its local roots.

Founded in 1982 by two meatpackers, the chain's first store was opened in Rolling Hills Estates and named after a street in West Los Angeles, Davis said. The founders decided to add the word "farms" to emphasize the shop's focus on fresh products.

"They thought grocers should sell their products the same customized way that specialty butcher shops did, instead of pre-set packages wrapped in foam trays," Davis said. "So they threw some sawdust on the floor, opened up a big meat counter with the beef hanging in the back and started stocking local produce."

The strategy worked. The company grew steadily over the years, carving out a loyal niche of picky consumers with gourmet palates who could afford a \$60 gift basket of Italian cheeses and chocolates.

In 2004, Albertsons bought the chain for an undisclosed amount. At the time, Albertsons had been waging an increasingly tough battle not only with other conventional grocery chains but also with mass merchan-



**CORE BUSINESS:** Mary Ferguson shops at the Bristol Farms market in South Pasadena. The company's sales fell during the recession but began to recover this spring as luxury spending rebounded, its CEO said.

disers such as Wal-Mart and Costco that were becoming a force in groceries using cut-rate prices.

The goal had been to give Albertsons "the ability to operate smaller-format stores in wealthier neighborhoods and differentiate themselves not based on price but on quality, selection and service," said Lloyd Greif, president of Greif & Co., a Los Angeles investment bank that put together both the 2004 deal and the most recent sale.

The corporate marriage "looked good on paper," Greif said, but was less so in practice. Burdened with aging stores and growing competition, Albertsons was sold in 2006 and broken into three pieces as part of an \$11.1-billion deal plus the assumption of \$6.3 billion in debt. SuperValu acquired more than 1,100 stores, including the 270 Albertsons and Bristol Farms markets in Southern California.

Bristol Farms "became a corporate orphan," Greif said. "It didn't fit in with SuperValu's new strategy to compete for customers on price."

Suzanne Long, a retail analyst with New York-based consulting firm SSA & Co., agreed. "Everything was managed separately, because SuperValu didn't want to interfere with something that was working," she said. It

also meant that, as rivals such as Whole Foods expanded into the market for organic foods, Bristol Farms found itself constrained, Davis said.

The Albertsons deal ultimately soured for SuperValu. The Eden Prairie, Minn., firm was left with a heavy debt load while consumers flocked to rivals Target and Wal-Mart, which opened megastores with fully stocked grocery shelves.

"Albertsons turned out to be a mediocre grocer, and it hasn't gotten any better," said David Livingston, a Wisconsin-based supermarket consultant. "SuperValu's stock price is down, its market share is dwindling, it's had massive staff layoffs and they've cut their dividends. They need cash and they're having to sell their best assets to keep the overall company afloat."

This year, the company has sold off SuperValu India, its information technology unit; six of its Bigg's supermarkets and their pharmacies in the Cincinnati area; and at least 11 of its Shaw's stores in Connecticut.

Mike Siemienas, a SuperValu spokesman, said the Bristol Farms sale allows both companies to operate more efficiently and effectively.



**FRESH FOCUS:** The chain is known for gourmet products and edible gifts.