

HALDANES STORES & NISA TODAY'S NEWS RELEASE - 3rd November 2009 - FOR IMMEDIATE USE

NEW FOODSTORE CHAIN PUTS THE 'LOCAL' BACK INTO SHOPPING

A new foodstore chain that aims to put the 'local' back into the shopping experience has been unveiled.

Haldanes Stores Limited, has been set up to acquire some of the 133 stores which The Co-operative was advised by the Office of Fair Trading [OFT] to relinquish as part of its takeover deal of Somerfield.

The new company has initially acquired four stores - all in Scotland - but has major expansion plans to cover the length and breadth of the UK. Haldanes is guaranteeing the jobs of all existing staff with the prospect of additional jobs in the future.

Haldanes has signed a five year contract with Nisa-Today's who will be the chain's main supplier.

'We are delighted to confirm another large and significant recruitment to the Nisa membership,' said Nisa-Today's Group Sales director Andrew J Mouse. 'This is a good indication of the strong position Nisa finds itself in and the attractive trading package it offers to retailers of varying sizes and setups.'

Arthur Harris, chairman of Haldane Stores, commented: 'This is a very positive step forward for us. We are confident that our membership to Nisa will provide us with the competitive range and pricing structure we need to perform aggressively in the marketplace.'

As part of its membership to Nisa, the Haldanes stores will also take part in the Making A Difference - Locally charity, created by Nisa-Today's in association with Costcutter Supermarkets with the intention of assisting more than 2000 independent retailers throughout the UK with raising money for their local communities.

The first four Haldanes stores are at Carluke in Lanarkshire, and Broxburn, Prestonpans and Tranent, all just outside Edinburgh, and have a total of 191 full and part-time staff.

Entrepreneur Mr Harris says: 'The deal will protect the jobs of the existing staff and that number will increase to more than 700 as other stores come on board.'

A key policy of Haldanes will be to source more than a third - 35% - of its food and drink from local producers at each of the nationwide stores.

'In particular, stores north of the Border will include an enhanced range of Scottish foods,' says Mr Harris. 'And much of the Scottish-sourced produce will be sold in our English outlets too.'

Mr Harris, known in business circles as a creative deal-maker, was until recently a major shareholder in a retail business comprising petrol stations coupled with convenience stores. In 2001 and again the following year, he won Scotland's Forecourt Trader of the Year award.

In 2003 he sold his stake to concentrate on expanding his deal-making efforts. As a consultant, he has worked closely with Somerfield, Budgens, Scottish Capital and Royal Bank of Scotland.

His business partner is Aberdeenshire-based entrepreneur Graeme Hay, Chief Executive Officer, who is one of Scotland's leading grocery retail experts. He started his career with William Low before forming his own retail business in 1994 which he sold four years later to Abernethy Ltd, one of Scotland's leading grocery wholesalers and retailers. In 2004, when Abernethy was sold to Somerfield, Mr Hay was retained as a consultant while also building up his own property portfolio.

The senior management team comprises:-

- Gordon Emslie, Managing Director, who has vast experience with William Low, Asda and Sainsbury's. He is known in the trade as talented man-manager and during his time at Asda, his effective leadership and hands-on approach oversaw the delivery of four major store re-builds costing nearly £40 million.
- Chris Laud, Financial Director, who has 20 years as an accountant with specific experience in the UK retail market, having spent a number of years in senior positions within Boots.
- Steve Back, non-executive director, who is currently chief operating officer of Monsoon and Accessorize, which has a turnover of nearly £500 million. He was previously group financial director at Budgens before moving to Somerfield where he became CEO.

The initial acquisitions came about after The Co-operative agreed to divest itself of 133 outlets, in centres where it already had stores, following its acquisition of Somerfield earlier this year.

Haldanes - whose trading logo is 'Refreshingly local' - is the first mid-sized supermarket chain to open for business in the UK for 27 years, filling a gap left with the acquisition of William Low by Tesco in the mid-90s.

Although Haldanes will be the new kid on the block, the management team comprises figures of long established experience in both the retail grocery trade and the main geographic areas where their new stores are located.

Mr Harris explains: 'The local knowledge at our disposal is particularly important because it means that we are able to tailor the product according to local tastes.'

'To augment and differentiate the brand, Haldanes will have a local sourcing policy at the heart of its strategy. At present, many of the multiples have tried to engage local sourcing but we believe that none has managed it effectively.'

'With our experience and knowledge we will look to negotiate margins at the same level, if not higher, than those achieved by Somerfield and The Co-operative while at the same time leaving enough for the supplier to work with in promoting their products.'

'In addition, customers will get better value on the products they want and the local suppliers will have a more sustainable business.'

The first of the Haldanes stores will begin trading from late November through to March next year following a store-by-store, staff consultation programme.

Haldanes' project that turnover in the new business is anticipated to grow by three per cent in both years two and three as the stores establish themselves as viable alternatives in their local markets to the Big Five national retailers. By year three, the company projects turnover by store to range from £1.4 million in the smallest outlet to nearly £7 million at the busiest.

To try to establish the new brand quickly, Haldanes is planning a major marketing campaign that will include TV, radio and local newspaper advertising.

Immediate rebranding costs will be £30,000 per store with a further £30,000 per store on IT installation.

At the heart of the new company's ethos is a strategy to engage fully with local community life at each of the stores, most of which are in market towns.

Mr Harris says: 'We appreciate the role that shops like ours can play in local communities and it's our intention to give something back in return. For example, we would be keen to support local events and, quite simply, to be an integral part on the community. In some ways, we wish to get back to the days when the local store was at the hub of community life.'

The company will have two main bases - the head office will be at Grantham in Lincolnshire while a Scottish regional office will be at Broxburn, near Edinburgh.

The OFT has been kept abreast of all the negotiations leading up to Haldanes' acquisition of the stores for an undisclosed sum. The terms of the deal are bound by a confidentiality agreement.

Throughout the talks, Haldanes has been advised by lawyers from Nabarro and Biggart Baillie, and accountants at Johnston Carmichael.

Mr Harris adds: 'This is an exciting project, not just for those of us involved but for business generally at a time when all we've been hearing for over the last year are dire tales of closures, job losses, stagnant growth and doom and disaster.'

NOTES TO EDITORS:

The acquisition of Somerfield by The Co-operative Group in early 2009 created the fifth largest player in the UK grocery market with 3,000 stores generating sales of more than £7 billion. This prompted a review of both national and local area competition by the OFT. It concluded that the acquisition would not give rise to competition concerns nationally. However, after extensive research at local level, competition concerns were raised in 133 local markets across the UK. The majority of problematic areas arose because the Co-op and Somerfield were competing closely in these areas. As a result, The Co-operative Group agreed to divest of a number of stores across the UK. As part of the divestment package a block of stores was offered to Haldanes and a sale and purchase agreement was subsequently concluded.



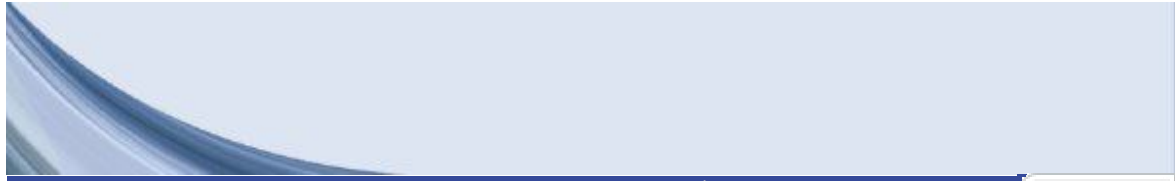
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