

Exhibit 45 to Plaintiff's
Memorandum of Points and Authorities
in Support of Its Motion for Temporary
Restraining Order and Preliminary Injunction
(PX01330)

Rocky Mountain News

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Safeway aims for an upscale Lifestyle

Some new stores feature more organic, specialized goods

By Janet Forgiveve, Rocky Mountain News

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BOULDER - The familiar red-lettered sign above the beige stone facade says Safeway.

Head in and follow the light wooden floors that ring the store's perimeter, though, and you may think you've mistakenly wandered into a natural food grocery.

It's not Whole Foods. It's Pleasanton, Calif.-based Safeway's latest and largest shot in the fierce and ongoing grocery wars, a battlefield where low-price retailer Wal-Mart gains more ground each year.

Safeway's newest Lifestyle store is a 76,000-square-foot example of how the company plans to fight back in the increasingly competitive grocery arena by catering to customers market by market, said spokesman Brian Dowling.

"It's sort of a demonstration of the degree of flexibility we have with the Lifestyle format, to tailor the offerings to individual neighborhoods and communities," Dowling said.

Safeway, which has 1,800 stores nationwide and about 120 in Colorado, owns almost 22 percent of the state's grocery market share, putting it neck-and-neck with Wal-Mart, according to trade journal *The Shelby Report Southwest*.

Instead of trying to compete on price, though, the chain has decided to go both more upscale and more natural and organic, modeling many of its new features after those found at Whole Foods and Wild Oats markets.

Fresh flowers are merchandised with vases and greeting cards in the "Poetry in Bloom" section at the front of the store. Next comes the greatly expanded natural and organic foods section, complete with about 150 items under Safeway's "O Organic" private label line.

A sign in the adjacent, expanded produce section proclaims "We have 116 organic fruits and veggies today."

Safeway has remodeled about three dozen of its Colorado stores, turning them into Lifestyle stores, Dowling said, but none changed as much as the larger-than-average north Boulder store.

Typical Safeway stores range from 50,000 to 60,000 square feet, making them a bit more limited when it comes to such an extensive remodeling, he said.

The north Boulder store, in contrast, had enough room to expand the produce section, add a nut bar and a demonstration kitchen, expand the prepared foods section, keep all the conventional grocery items, and add a full-service Starbucks and Jamba Juice.

The store also boasts a sushi bar and a kitchen section that includes Cuisinarts, coffee makers and wine glasses.

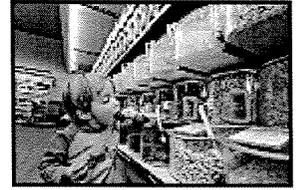
It's not just size that spurred the changes, though, Dowling said.

"Clearly in the Boulder market, there's demand for a lot of the products we've got in the store," he said, adding that the whole idea behind the Lifestyle concept is to tailor each store to its market.

Though the new store is largely designed to go head-to-head with Whole Foods and Wild Oats, some indicators say there may be room in Boulder for all.

Lakewood-based Vitamin Cottage has said that one of its highest-grossing stores is located at 30th and Pearl streets in Boulder, near a Whole Foods Market.

Wild Oats, which is based in Boulder, is slated to open its third store at the new 29th Street center late this year or early next year, said



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Owen Zirk, 2, samples recently on the bulk aisle at the new Safeway Lifestyle store in Boulder. In addition to the bulk aisle, the new concept store features a much wider selection of organic and natural products compared with typical Safeways. The new stores are part of the chain's strategy to go for the upscale end of the market, rather than trying to compete with Wal-Mart strictly on price.

spokeswoman Sonja Tuitele.

The retailer's other two stores in town are far enough away not to be affected by Safeway's new store, she said.

"When we open 29th Street, it may have an impact because it's so close," Tuitele said.

Time will tell whether the Safeway store's new offerings will change shopping patterns. A majority of shoppers who seek out organic products still head to Safeway or King Soopers for many nonfood items, Tuitele said.

Whether they'll continue that pattern or change it as product offerings expand remains to be seen, she said.

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