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AHOLD'S FORMULA

A Corporate Profile

report for the
UFCW

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1. INTRODUCTION

Ahold started to sell its groceries in a small store in Zaandam in 1887 under the name of the owner, Albert Heijn. Today Ahold has a retail chain of hundreds of stores in The Netherlands, production companies, real estate companies, restaurants and vacation centers. Ahold also develops activities in other countries, primarily the USA. The multinational employs about 70,000 people (45,000 full-time equivalents), of whom over 40.000 in The Netherlands. At the top we still find a man with the name Albert Heijn, the grandson of the founder.

The Royal Ahold Limited (Koninklijke Ahold NV), as the company is called after its centennial, expanded by means of its concentration policy, acquisitions, and by autonomous growth. Ahold remains primarily active in food products. It is the biggest grocer in The Netherlands. Still the company diversified a little bit: it now sells non-food consumer products, for instance in its chain of druggist's stores, too.

In the seventies Ahold started to internationalise. First with a restaurant in Belgium, followed one year later by a supermarket chain in Spain and supermarkets in the USA. In 1977 Ahold bought BI-LO, in 1981 Giant Food Stores and early this year First National Supermarkets.

There have been some labor conflicts, but hardly any strikes. The labor conflicts have not taken place in Ahold's main activity in The Netherlands, the exploitation of the supermarket chain under the name 'Albert Heijn', but primarily in the production companies. The relationship between management and trade unions in The Netherlands can be described as "reasonably well" as is the relationship between management and the Central Workers Council (Centrale Ondernemings Raad = COR).

In chapter 2 we will take a look at the activities of Ahold in The Netherlands. Of course the Albert Heijn supermarkets are the most important ones.

Chapter 3 is concerned with Ahold's internationalisation. The interests in the USA are the central ones. Whatever we could

find on Ahold's social policy in the USA is mentioned here as well, but due to the availability of sources primarily as seen by the Ahold management (annual reports).

In chapter 4 Ahold's figures are analysed, mainly on index base, over the last five years.

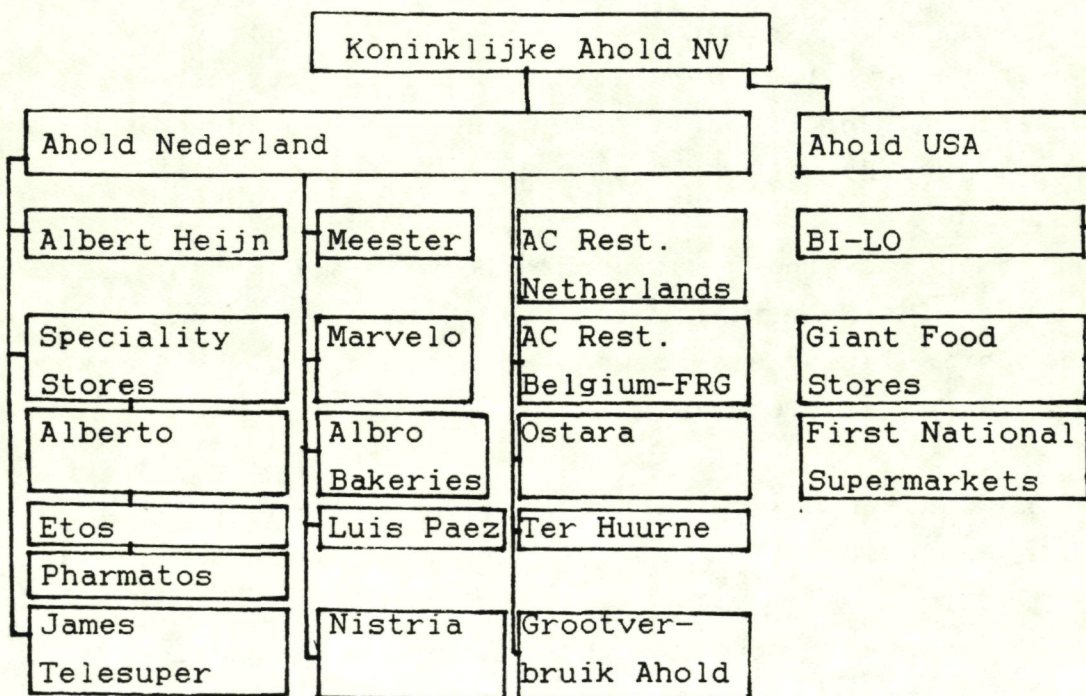
In the 5th chapter we will discuss Ahold's social policy, mainly in The Netherlands. Exclusively for this report we held two interviews: one with the trade union official who negotiates about labor conditions with the Ahold management and the other with two members of the Central Workers Council.

In chapter 6 we pay attention to the people at the top, the members of both the Corporate Executive Board and the Supervisory Board. We include many quotations. The other positions held by them are mentioned as well.

In the 7th and final chapter we will give our opinion on how Ahold's formula looks like, what its main features are.

Appendix A gives a historical overview of the Ahold Group since its foundation.

DIAGRAM OF AHOLD'S MAIN ACTIVITIES



2. AHOLD IN THE NETHERLANDS

In this chapter the most important Ahold branches in The Netherlands are described. The names of the divisions and member companies of the Ahold Group are given in the outline below.

Ahold in The Netherlands

retail trade

Albert Heijn
James Telesuper
ASS*
Alberto
Etos
Pharmatos

food production

Marvelo
Meester Wijhe
Albro Bakkerijen Zwanenburg
Nistria Vleeswaren

rira**

Grootverbruik Ahold
AC Restaurants
Ostara
Ter Huurne

real estate

Ahorn
Van Amerongen
Beehorn
Efhorn
De Elf Provincien
Geehorn
Zaangroen
Ceehorn
Eehorn

other

Ahead Advertising
Ahfin
Alcondi

* ASS = Ahold Speciality Stores

** rira = restaurant, institutional and recreational activities

First we will take a closer look at the retail trade (2.1), then at the food production (2.2) and at the restaurant, institutional and recreational activities (2.3). Finally, we will mention the full names and locations of the real estate and other

companies (2.4).

2.1. Retail Trade

The names and locations of the operating companies are:

Albert Heijn BV, Zaandam
Albert Heijn Franchising BV, Zaandam
Schuitema NV, Amersfoort
James Telesuper BV, Heemstede
Detailhandelsgroep Ahold BV, Zaandam
Alberto BV, Zaandam
Etos BV, Zaandam
Pharmatos BV, Zaandam

We will start with the main activity: the supermarkets (2.1.1). In separate paragraphs Albert Heijn BV, Albert Heijn Franchising BV, Miro BV - the now integrated retail chain -, Schuitema NV, the most important, sudden and very recent acquisition by Ahold, the distribution and other central services and James Telesuper - tele-shopping - will be described.

Then the Ahold Speciality Stores (2.1.2), which are now organised in the division under that name (the Dutch abbreviation is SPA): Alberto - alcoholic beverage shops -, Etos - drug stores -and Pharmatos - chemist's stores.

2.1.1. Supermarkets

2.1.1.1. Albert Heijn

The supermarket chain under the name Albert Heijn - and run by Albert Heijn BV - is the most well-known and recognizable activity, the "cornerstone", of the Ahold group. Some key characteristics of Albert Heijn over the last 5 years are:

Table 1.

Key figures of Albert Heijn

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
Sales	4,445	4,778	5,142	5,512	5,951
Sales growth	14.0	7.5	7.6	7.2	8.0
Locations	427	428	426	430	433
Sales area	274	283	295	307	319
Sales/area	16,200	16,800	17,400	17,900	18,300
Employees	11,080	11,557	12,402	13,315	14,822

Sales x Dfl 1 million (see Appendix B for exchange rates); sales growth in %; sales area x 1,000 sq.m. (1 sq.m. = ca. 11 sq.ft); sales/area - area = 1000 sq.m.; employees in full-time equivalents, average.

Albert Heijn sells groceries, fresh foods, premium private-label goods and a few non-food products (magazines, small household goods). There are different categories of Albert Heijn supermarkets, recognizable by a number at the entrance. The number and kind of articles vary per category AH-supermarkets, depending on their size and location. In the usually page wide advertisements of Albert Heijn in the daily newspapers the category number of the relevant AH-supermarkets is mentioned.

The company performs well. Its sales rose in 1987 by 8 % to Dfl 5,951 million in a market with declining retail food prices. Albert Heijn strengthened its position as the largest food retailer in The Netherlands. Albert Heijn has an average of 600,000 customers a day. Its formula, according to Ahold:

"neighbourhood stores stressing high quality, one-stop convenience, service, wide product assortment and competitive prices".

In its slogan - "By saving a little each time, saves you a lot" ("Albert Heijn let op de kleintjes") - Albert Heijn suggests it is not expensive. Very appropriate for a grocer and maybe for the so-called economic Dutch as well! But in reality it's not all sure that Albert Heijn sells its total package of products cheap in relation to other supermarkets. The company is only eager to keep or establish that image. Ahold says:

"From a competitive perspective, Albert Heijn maintains a distinction between, on the one hand, the daily necessities for which the price is the deciding factor in the consumer's purchasing decision; and, on the other hand, items with an added value with respect to product mix, quality and servi-

ce." (Ahold leaflet)

The 433 Albert Heijn supermarkets and smaller self-service stores range in size from 3,000 to 30,000 square feet, and can be found in practically every part of The Netherlands. In the last few years Albert Heijn is equipping its stores with service departments, such as bake-off departments, where partially prebaked products are finished off in the store. Furthermore, Albert Heijn is developing and experimenting with the 'supermarket of the future', a new store formula offering a larger product assortment and a 'high-tech' environment.

2.1.1.2. Albert Heijn Franchise

A relatively new development is Albert Heijn Franchise, run by a separate Private Company (BV) under that name. Albert Heijn started this very carefully. For a customer it is not clear if a certain Albert Heijn supermarket is owned or franchised by the Ahold group. Even one or two "bad" franchised stores can therefore seriously damage Ahold's reputation. After an experiment with franchising in 1981, it was decided in 1982 to continue this activity.

At the moment there are 79 franchisees. Albert Heijn Franchise's sales increased to Dfl 423 million in 1987 (324 in 1986). The average number of full-time equivalents is only 21 in 1987 (17 in 1986).

The Service Union FNV (Dienstenbond FNV) is concerned about the position of employees in stores which were first owned and franchised later. The union wants Albert Heijn BV to include a clause in the contract with the franchisees about the legal status of the employees; this status should remain the same.

2.1.1.3. Miro

Recently Miro has been fully integrated into the infrastructure of Albert Heijn BV. 1987 is the last year over which separate figures are given.

Table 2

	<u>Key figures of Miro</u>				
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
Sales	876	816	645	509	505
Sales growth	3.7	-6.9	-20.9	-21.2	-0.9
Locations	13	13	13	13	13
Sales area	68	68	38	38	38
Sales/area	12,800	11,900	17,000	13,400	13,000
Employees	1,735	1,758	1,648	1,396	1,266

See the remarks under table 1.

The figures show Miro has not performed very well. Ahold started the first Miro formula, the hypermarkets, after studies had shown its success in other countries and after some market research in The Netherlands. In 1971 the first two Miro hypermarkets opened; followed practically each year by two more branches until 1975. In 1976 and 1982 Ahold bought two existing supermarkets, under the name Familia, and transferred them into Miro hypermarkets. Then the number of branches remained on the same level for 5 years: 13. Miro has an assortment of 25.000 products of which 5000 are foodstuffs. The non-food products are: clothing, household goods, products for recreation, do-it-yourself and leisure-time; plus some consumer durables in the so-called "dream-groups", such as video's. However, the hypermarket formula did not work in The Netherlands.

In 1980 Ahold realised that the consumer was confused over the formula: the hypermarket was neither a warehouse nor a supermarket. Ahold refurbished the stores in 1981. In 1984 Ahold had to conclude that the formula would not work after all. The loss on the non-food products was bigger than the profit on the foodstuffs. Therefore Ahold changed 12 of the 13 Miro hypermarkets into Miro Centers in 1985: "from hypermarket to family shopping centre". According to Ahold Miro Centers are :

"designed to meet almost every household need under one roof, each store is easily accessible by car. Miro itself concentrates entirely on selling a very wide range of foodstuffs, particularly fresh products. The non-food operation are left to external specialists in the field." (Ahold leaflet)

Ahold thought the average consumer potential to be 100.000 per

branch.

Now Ahold has - as has been said above - integrated the Miro organisation in Albert Heijn BV. The name Miro is no longer used, except for one supermarket situated far outside the centre of a town, for which market research showed that it was better to continue under the old name.

For 921 employees a new position in the Ahold organisation had to be found, which succeeded in most cases.

2.1.1.4. "The acquisition of the year": Schuitema

In August 1988 Ahold and Schuitema NV announced their "merger" quite unexpectedly. Schuitema NV is the largest supplier to independent grocers in The Netherlands. The company provides store identity, retailing formulas, central buying and distribution facilities for some 650 independent grocers, operating under (amongst a few others) the following names: Centra, C-1000 and Spar. Schuitema operates 12 distribution centers, employs more than 1,400 people and recorded sales of nearly Dfl 2 billion (US \$ 1 billion) in 1987.

Unigro NV in Utrecht had been trying to get a majority in Schuitema for many years. Unigro is Schuitema's main competitor. Unigro supplies independent grocers as well; some even under the name of Spar, too. Schuitema sees itself more as a retailer than as a wholesaler. Schuitema's managing director, mr. I.J. Vos, pretended to be willing to merge with Unigro, too. He suggested to Mr. E. Albada Jelgersma, owner and managing director of Unigro, to sell its shares in Schuitema to a third party in order to enable this merger, a kind of 'gentleman's agreement'. Albada Jelgersma agreed and sold its 40 % interest, without any conditions. A few days later the Royal Ahold NV and Schuitema NV announced their merger! Unigro has started a legal procedure against Schuitema, but everybody expects the transaction to be valid. Maybe Unigro will get some indemnification.

Ahold already had a 10 % interest in Schuitema. In August of this year Ahold bought another 45 %, enlarging its interest to 55 %. Ahold bought the shares via the Swiss bank Crédit Suisse from

Expl. Mij Beledis BV and Liebreks Beheer BV (Unigro NV). The terms of the transaction were not disclosed. One financial newspaper estimates that Ahold must have payed about f 200 million for its 55 % interest in Schuitema.

According to a joint press release, dated August 17, 1988, Schuitema proposed the "association" with Ahold, in order to strengthen its competitive position. Ahold's President Albert Heijn commented:

"The closer links between the two firms will prepare both better for the unified Europe of 1992."

Both Ahold and Schuitema assure that the transaction will have "no direct consequences for the employment in both organisations". Although, "Synergies are expected in a number of operating areas as well, including purchase and automation." In the press release they state that the trade unions involved and the Workers Councils have been informed. In interviews with both the chairperson and secretary of the Central Workers Council (COR) of Ahold and with a trade union negotiator (Dienstenbond FNV) it became clear however, that they had been informed too late, when practically everything had been arranged. This is in violation of the SER-code of mergers and the Law on the Workers Councils (see chapter 5). The COR therefore refused to claim their legal right of advice. They do want to become involved in the execution of the plans and in decisions around organisational adjustments. Furthermore, they still have some questions left regarding the solvability position of Ahold because of this take-over.

Probably the COR and the trade unions have not been informed in time because of the special character of the take over. The members of the Central Workers Council and the trade unionist said that they are normally informed extensively and in time. The COR got the assurance that in future this will be the normal procedure again. It seems that the Corporate Executive Board is trying to show its good will, because in the next acquisition, that of Gall & Gall (see below), the COR has been given three months for its advice.

The trade unions are not unhappy about this "association", because they think both the companies and its employees may benefit. Schuitema's Vos says:

"Everybody says: fine, congratulations. The unions are satisfied as well, inspite of the fact that we broke the SER-code of mergers. They congratulated us and asked: where is the champagne? There is something to celebrate, isn't there?" (FD, 8-19-'88)

The independent grocers, however, seem to be divided. Many found it difficult to survive as a small store, because of the fierce competition with the Albert Heijn supermarkets. Some of them, therefore, reacted very strongly when they read about the sudden transaction. Unigro now tries to persuade the discontented grocers, especially those operating under the name Spar, to leave Schuitema and to join Unigro. Mr. A.J. van der Heijden, the chairman of the Corporate Executive Board of another Spar wholesaler, Verenigde Distributie Bedrijven (VDB) in 's-Hertogenbosch (or Den Bosch) (and also chairman of the Spar Association; and majority holder of the Spar Centrale Nederland), is one of the strongest opponents of the Ahold-Schuitema transaction.

Van der Heijden of VDB refers, just as Mr. Albert Heijn (and all other entrepreneurs nowadays!), to the Europe of 1992 as well:

"Now suddenly an Ahold man sits at our Spar table. Maybe the Ahold Group wants to use the Spar as a stepping stone to Europe. Albert Heijn wants to reach Belgium and Germany via Den Bosch. Spar is to be found in every corner of Europe. And nobody knows Albert Heijn outside The Netherlands. Most people can't even pronounce that name." (FD, 9-17-'88)

He proposes to strike the name of Schuitema off the list of Spar wholesalers. Most Spar stores are obliged to buy from an acknowledged Spar wholesaler. If Van der Heijden succeeds Ahold would lose sales worth some Dfl 600 million a year. Insiders say there is not much chance he will win. Van der Heijden aims to take legal action, too.

Schuitema will continue to operate under its existing management, retaining responsibility for its strategy, policy, profitability and growth. Schuitema wants to retain the existing consultative structures within the Centra/Spar Association. The

company hopes to profit from the access to Ahold's food retailing know-how. Still, as we have seen with other take-overs, Ahold could decide to integrate the Schuitema organisation into the one of Albert Heijn in a number of years. This happened with the acquisition of Simon de Wit, too, although it took 10 years!

Ahold was eager to get a majority share in Schuitema in order to strenghten "its position in several areas of The Netherlands where it was underrepresented". Ahold may extend its share to 100 % in the next few years, but it says to have no such plans. Other major share holders are: NMB Merchant Bank (7,4 %), the family Van Well (via a Foundation, 16 %) and the store keepers themselves (via a Foundation, 14 %).

Ahold's position in the franchise market grew extensively by the take-over. Maybe these activities will be the first ones to be integrated with AH Franchise BV, a company that is now too small for the workers to have a Workers Council and the right of advice.

The market share of Albert Heijn, AH-Franchise and Miro together was 24,8 % in 1987 and increased to 33 - 34 % because of the acquisition of Schuitema. The rest of the market is divided between a number of regional operating retailers and only a few other national operating retail chains. Only Edah, a subsidiary of Vendex International, has a substantial, but declining, market share: 10 %. Edah has announced an investment programme of f 750 million in an attempt to turn the tide. Although Ahold would certainly deny it, it would not surprise "insiders" if Ahold would try to buy Edah as well.

2.1.1.5. Distribution and other centralized activities of Albert Heijn

In 1987 the Distribution Activities and the Central Meat Operations plus a significant part of the central automation department were integrated into the Albert Heijn organisation as well. Besides the above mentioned activities Albert Heijn BV owns Centralized Flower and Plant Operations and Albert Heijn Centralized Vegetables Operations.

Ahold recognizes the importance of a strong logistics system. The Distribution Activities have therefore been reorgani-

sed and modernised several times. At the moment Ahold has four distribution centres in different parts of the country. Moreover, Ahold is building a new distribution centre with a national function in Geldermalsen. Until that new centre is ready a temporary one is used in Utrecht.

In February of this year Ahold decided to build its new central distribution center of 35.000 square meters in Geldermalsen, although a location closer to Utrecht might have been better from a logistical point of view, because of the junction of highways, the low prices for industrial sites and "the presence of personnel with a good labour attitude". It amounts to an investment of between Dfl 30 and 35 million in "a conventional setting". Ahold is still examining the rate of automation (a high rate would lead to a considerably higher investment figure). The new center has to supply 80 % (now: 50 %) of the assortment (= 20 % of the sales volume) directly to the branches. Instead of one delivery a week there will be 3 deliveries. The center has to be finished within 3 years and will employ 250 people.

The distribution center in Zaandam of Ahold BV now supplies Albert Heijn, Alberto and Etos. It will become a regional center when the new one in Geldermalsen is finished. The employees of the central activities are going to be replaced.

Furthermore, Ahold wants to build an extra regional distribution center near the airport of Rotterdam.

The regional distribution centers are going to distribute products with a high circulation. The central one with a low one. This means that "slow" products will not have to be in the shops for long; stores can keep smaller supplies. Ahold seems to be working towards a kind of 'just-in-time'-system.

2.1.1.6. James Telesuper

James Telesuper is a company that started in 1983 in Heemstede (west of Amsterdam, a high income town) with teleshopping, a fairly new activity in The Netherlands. Unigro, an important wholesaler in groceries (a competitor of Schuitema, see above), sold James Telesuper in 1985 to Ahold. Ahold wants to experiment with this new phenomenon. The experiment will last a

few years. The results of James Telesuper and some of the other teleshoppers: Telesuper Midden-Nederland, Q + S Teleshopping and Telesuper, are not (yet) very good; none of the companies boasts about their profits.

James Telesuper employs about 20 people permanently employed and some additional 'flexible' workers. The last ones are only called up when it is busy.

The consumers receive a catalogue with about 1,500 grocery and party service products, including hard liquor, at home and some periodical newsletters with bargain prices. James Telesuper's ten thousand consumers, usually people who have no time to do the shopping or people giving a party, use the telephone, Viditel (television) or a personal computer to order. Until now the telephone is the most used means of communication. James Telesuper guarantees that the products will arrive the next day, but tries to deliver within two hours.

According to manager Mr. H. van Brink the delivery is the biggest problem. All the products are packed in standard crates. Therefore, there is a maximum number of customers that can be supplied with one vehicle. Eleven vehicles pick up the goods from the central store house in Heemstede and take them to the customers. Recently a new branch has been established in Wassenaar (another high income town), with its own distribution center, which in turn is supplied by the central store house in Heemstede.

Van den Brink:

"We are not yet satisfied over the figures under the line; we are clearly still in a pioneer phase. There has to happen a lot before we can call ourselves a sound Ahold company."

(4-23-'88)

2.1.2. Ahold Speciality Stores

2.1.2.1. Alberto

Alberto BV is one of the Ahold Speciality Stores. It is an important chain of alcoholic beverage stores, that operates under the name 'Alberto', in The Netherlands. This year Ahold bought

two competing chains of alcoholic beverage stores, Gall & Gall (including the former Aguilar) and Party Shops, from Bols, a distiller (see below). Now Alberto has become the leading company selling (hard) liquor in The Netherlands.

Selling liquor is not new for the Ahold group. Albert Heijn sold liquor in its first store in 1887. Later this was prohibited by a Dutch Law: liquor could no longer be sold in a store next to foodstuffs such as beans and fruit. The law did not prohibit the selling of light alcoholic drinks, like wine and beer, in groceries and supermarkets.

The introduction of the law implied that Albert Heijn could no longer sell liquor in its supermarkets, but it could sell it in locations next to its supermarkets. Therefore, the first 'Alberto' was opened next to an already existing Albert Heijn supermarket in Rotterdam in 1969. The consumers considered the two to be one and the same store.

After 5 years there were about a dozen Alberto's, all managed by the superintendent of the supermarket, while the department manager complied with the professional skill demands. Ahold performed some marketing studies and concluded in 1974 that the market for wines and hard liquor was growing and that Ahold could play a significant role in that market. From that time on Alberto BV was established as a separate organisation with its own managing directors. In 1975 there were 40 Alberto's, in 1980 60. Alberto then chose for 'selective growth' - transfers, enlargements, etc., until Gall & Gall was bought. In 1987 there were 89 Alberto's with about 360 employees (172 fte) and sales of Dfl 140 million (decrease of 1.4 %). Alberto doubled its number of franchisees from 3 in 1986 to 6 in 1987.

The Alberto discount formula is: low prices, a comprehensive selection of domestic and imported liquors and wines, a few own labels (Marquis - French brandy and White Lion - whisky; Alberto has the exclusive right to sell the brand 'Weduwe Visser' in The Netherlands), some special service characteristics (the 12th bottle is for free e.g.) and a lot of advertising. Alberto is able to sell at low prices because of its direct purchases and imports.

In 1987 there were campaigns against alcohol abuse in The

Netherlands. Especially the sales of hard liquor - representing half of this market - were affected. Alberto however, succeeded in maintaining its position and enlarging its market share. It is expected that the sales of hard liquor will decline even further in the future. Wines are becoming more and more popular, however. At the beginning of the 1970s the Dutch drank one liter of wine a year per person, nowadays 15. The margins for wines are higher. It is expected that the large chains of alcoholic beverage stores will concentrate more on selling wine.

In October Ahold and Bols announced that Gall & Gall and Party Shops would be sold to Ahold. Ahold will pay in cash, but the amount was not revealed. The transfer will probably take place at the end of this year. Ahold wants to continue the three chains under one formula and one name. Which name that is going to be is not yet clear. The employment of the 530 employees of Gall & Gall and Party Shops has been guaranteed by Ahold.

Gall & Gall and Party Shops together run 190 stores in The Netherlands. Bols started its Gall & Gall operations some 20 years ago. The number of stores expanded rapidly. Five years ago the chain was reorganised. Because of the take-over of Henkes (another distiller) in 1986 Bols obtained two other chains of alcoholic beverage stores: Party Shops and Aguilar. Shortly after the acquisition the name Aguilar was changed into Gall & Gall. Now Bols is happy to sell these stores. According to Bols they were profitable, but not a core activity:

"We are gin distillers and producers of liqueurs. If you then start to act as a retailer, you come in a two-faced-position. It therefore fits in our strategy to sell them."

(V 10-5-'88)

Bols denies rumours it wanted to sell the stores to get money for other acquisitions. Recently Bols was mentioned in connection with the take-over of Irish Distillers.

The acquisition of these Bols subsidiaries brings Alberto's market share to 19 %. The sales of the new group will amount to Dfl 380 million a year.

The service unions of both FNV and CNV have reacted positively. According to the second union Ahold has

"at least a moral obligation to make sure this take-over

will have no negative consequences for the employees, now that Ahold has become the largest liquor seller in The Netherlands". (idem)

According to a spokesperson of Ahold there are no more than 20 stores for which a solution is needed.

The other alcoholic beverage stores reacted relieved as well. They were not happy about the fact that Bols supplied both its own chains and other alcoholic beverage stores. They recognize that there is a concentration of power, but they know that Ahold will not start a discount formula. The independent alcoholic beverage stores, therefore, do not fear more competition. Ten years ago there were about 4000 of these stores in The Netherlands, now there are about 3000, and probably this number will decrease to 2500. At the moment the total sales are Dfl 2 billion a year. The Dutch consume 9,5 billion liters of alcohol a year, half of which is sold by the supermarkets; the other half by alcoholic beverage stores and restaurants. In all these fields Ahold now has a strong position.

2.1.2.2. Etos

In 1973 Ahold bought Etos Cooperatieve Verbruikersvereniging U.A. Etos BV now runs the already existing drug stores and has added some more. In 1974 a new formula, the discount, was introduced. This formula is more familiar in the US than in Europe.

The main features of the formula are:

- Etos carries some 4,000 items, including over-the-counter drugs, perfumes, cosmetics and toiletries, but also reform products, photo and film articles and paper ware;
- Etos has some private label products;
- Etos is primarily self-service, but the personnel can give some advice;
- the products are usually sold below the advised prices, except for the drugs (fixed prices);
- the stores are relatively small: about 1,350 square feet;
- the stores only have small supplies: the supplies are kept in the central warehouse in Zaandam, the orders come through by

means of a computer aided order program; Etos often buys directly in The Netherlands and abroad. That's one of the reasons for the low prices.

Most of the Etos stores have now converted to the 'Beauty Case' formula, which offers an expanded range of luxury cosmetic brands. This new formula is especially popular with consumers in urban areas. Several experimental combinations - with hairdressers, cosmeticians, but particularly with pharmacists - are in operation.

In 1987 the number of Etos stores rose to 116. And Etos continues to expand. The sales were Dfl 166 million, a growth of 13,7 %. Etos therewith slightly expanded its market share, now estimated at about 10 %. Etos employs 513 people (fte).

2.1.2.3. Pharmatos

In 1988 Ahold began a new kind of Speciality Store: Pharmatos. This new company started with only a few co-operation contracts: one with a chemist's in Amsterdam and one in Veenendaal. The experiment with the chemist's in Amsterdam was so successful that Ahold decided to try and penetrate in this market. Three new chemist's stores are to be opened in Tilburg, Rijswijk and Dordrecht. All stores will have a combination of chemist's and druggist's products, a new formula in The Netherlands, but a well-known one in countries as the US and the UK.

Pharmatos has about 80 contacts with chemist's, who want to co-operate with the Ahold group. Some need a special formula, because they are very small. Pharmatos is developing that strategy at the moment.

In May 1988 Ahold bought Pharmacis Reguliere Pharmaceutische Groothandel in Duiven from 28 chemist's and shareholders. The employment of the 12 employees was guaranteed by Ahold. Until the take-over Pharmacis distributed in the region of its former owners: Arnhem. This will probably be changed.

Mr. J. Hunfeld, the managing director of Ahold Speciality Stores and ex-managing director of Etos BV, says Ahold wants to get 10 % of the market for medicines in a few years time. In The Netherlands medicines worth Dfl 3,5 billion are sold every year,

of which approximately Dfl 300 million are 'over-the-counter' articles (without prescription). Ahold thinks it could be successful in this market, because of its special know-how of logistics, supply and distribution systems, marketing and retailing.

2.2. Ahold Food Production

Ahold owns a food production group, called LIA (Levensmiddelenindustrie Ahold). The names and locations of the companies involved are:

Marvelo BV, Zaandam

Meester Wijhe BV, Wijhe

Albro Bakkerijen Zwanenburg BV, Zwanenburg

Nistria Dieetvleeswaren BV, Moergestel

Levensmiddelenindustrie Ahold BV, Zaandam

For Luiz Paez, also belonging to the Ahold Food Production group, we refer to the next chapter, because this is a - partly owned - subsidiary in Spain.

2.2.1. Marvelo

Marvelo BV is Ahold's oldest production company; it dates back to 1911. Marvelo has a major coffee roasting and wine bottling operation, produces sandwich-spreads, licorice, chocolate sprinkles, packaged tea and salted peanuts. The company introduces new products, especially for the Albert Heijn private label line. The factory now covers some 30.000 square meters.

According to Ahold the new product introductions, "rationalization of production" and "Marvelo's speedy response to market developments" are important factors in the company's success. In 1987 Marvelo achieved further sales volume growth, "especially as a result of the increasing strength of the Albert Heijn private label".

Let's take a short look at one of the main activities: coffee. Marvelo is one of the most important coffee-roasting factories of The Netherlands. The factory was modernised in 1977 (new package-line; production doubled), 1981 (new roaster), 1983

(enlargement package capacity).

Another activity is the bottling of wine. In 1978 Marvelo introduced a new bottling line with which 170 bottles a minute are filled, fully mechanically. Of course, there is a modern laboratory, too, to control the quality of the commodities, half products and final products.

Marvelo employs around 200 people (1985), a decreasing number, of the 1,141 in LIA (production).

2.2.2. Meester Wijhe

In 1847 the meat factory J. Meester was established in Wijhe (east). In 1966 the factory was bought by Ahold (then still Albert Heijn NV). Until 1975 the factory operated under the name Albert Heijn Vleeswarenfabriek BV. In that year the name was changed definitely into Meester Wijhe, sometimes abbreviated to Meester.

At first the factory only supplied meat (ca. 120 products, some under the "Meester" label) to Ahold companies, but later on the objective of the company was changed. Now deliveries to third parties became possible. Meester Wijhe exports to Belgium, the Federal Republic of Germany, the United Kingdom and - starting in 1981 - to the United States.

In 1972 the factory was modernised for the first time. In 1984 Meester Wijhe started a 3 year project to build a new factory complex. At the moment 20.000 square meters of the 60.000 are used. In 1987 the sausage factory was automated extensively "in order to facilitate higher productivity and improved quality control".

Especially in the last few years the company became one of the most important meat producers in The Netherlands. In 1987 sales and results increased. A larger market share was achieved in The Netherlands, where overall market growth was limited. In 1985 the company employed 724 people, and the number was increasing.

Meester Wijhe had problems with its exports to the USA. The USA imposed a ban on the imports of meat for veterinary reasons. Therefore, Meester could not export to the USA for over a year. Towards the end of 1987 sales to the USA were resumed. Meester

hopes to increase its exports to this country.

2.2.3. Albro Bakkerijen Zwanenburg

In 1958 the Ahold group (then still AH NV) bought the bread-factory Gebr. Hoeve in Zwanenburg. Later the company got the name Albro Bakkerijen Zwanenburg BV (often abbreviated to Albro). In 1967 the factory complex was expanded with 5000 square meters to 8250 square meters.

First Albro supplied all the Albert Heijn branches in The Netherlands with packaged bread. Most consumers, however, turned away from that kind of bread: it is cheap, but less tasteful. Albro Bakeries continued producing packaged bread, but started to produce fresh-baked-bread as well. Albert Heijn branches further away could no longer be supplied with this kind of bread and were allowed to buy it in their own region.

Albro started to produce in a new factory in Tilburg (south) in 1972. Another line of production (cake) was transferred from Zaandam to this new, modern factory, too. In 1976 Albro started to produce frozen pastries as well. In 1981 Albro bought a licence for a new process for frozen pastries in the United States: the so-called 'Freeze Flo'-method.

In 1983 there was a labor conflict, because some employees almost lost their jobs as a consequence of a merger of one of the Albro's (the one in Tilburg) with another company. The conflict was solved by the union (see chapter 5.4). In 1985 Albro employed 198 people.

Nowadays Albro produces a wide assortment of bread, pastries and cake. Albro, together with retail members of the Group, developed a new product for the branches: 'bake-off' products (pre-fabricated bread products, which have to be baked for a short time in the store itself by personnel). Albro supplies the frozen dough for these operations. Recently a new experiment started in Rotterdam where customers can bake their own bread.

In 1987 Albro faced competition and a continued market overcapacity. In spite of this Albro was able to achieve better results, thanks to rising sales volumes. Especially the semi-finished 'bake-off' products contributed to this development.

2.2.4. Nistria Dieetvleeswaren

Ahold bought a majority interest in Nistria Dieetvleeswaren BV at the beginning of 1988. The purchase price has not been revealed. Nistria's sales are "more than one million (guilders)" a year.

Meester Wijhe en Nistria Dieetwaren are separate companies, but together they produce a range of over 130 processed and dietary meat products, delicatessen items, smoked sausages, meat snacks, etc.

Nistria employs 53 persons. Nobody will lose her/his job, because of the take-over. The company will be integrated in the Ahold organisation.

2.3. Restaurant, Institutional and Recreational Activities

The names and locations of the companies of this division are:

Grootverbruik Ahold BV, Ede
Albert Heijn Grootverbruik BV, Breukelen
Catering Overseas Supply BV, Breukelen
De Koksmaat Bedrijfskeukens BV, Eindhoven
Evers Horeca Totaal BV, Almelo
Knop en Co BV, Deventer
Peter Heisen BV, Nieuwegein
HIC Beheer NV, Lisse
 HIC Fast Foodservice BV
 HIC Inkoopcentrale BV
 HIC Linnenkamer BV
 Hivema BV
 Vleesservice Amsterdam BV
 Vleesservice Dordrecht BV
 Vleesservice Steenwijk BV
Kok-Ede BV, Ede
Instel BV, 's-Hertogenbosch
Gebr. Hoefsmid Vleescentrale BV, Rotterdam
Looman Beheer BV, Amsterdam
Zoutewelle, De Bie en Co BV, Schiedam
Leendert Meeder BV, Schiedam
Vendrig Consultants BV, Rotterdam
AC Restaurants BV, Zaandam
AC Restaurants België NV, Leuven*
Ostara BV, Zaandam
Ter Huurne's Handelsmaatschappij BV, Zaandam

* this Belgium NV will be discussed in the next chapter.

Toko Rekreatie Service BV, Zaandam, was sold earlier this year: on January 4, 1988. Toko became part of the Ahold group in 1972: it was one of the subsidiaries of Simon de Wit, a retail chain. Toko exploited 53 camping stores and restaurants. It did not perform well for years. Some of the reasons given by Ahold are bad weather and more vacations spend abroad. The yearly sales figures are between Dfl 7 and 11 million.

Toko was sold to a wholesale trader, Cok-Midland BV in Kapelle (south). Cok-Midland's sales amount to Dfl 225 million a year; about 210 persons are employed. Cok-Midland already supplied some 200 supermarkets and about 60 camping stores. The new owner wants to transfer the Toko's into independent stores. Cok-Midland only wants to sell its store formula and its goods to the Toko's. All 69 permanently employed people will keep their jobs.

2.3.1. Grootverbruik Ahold

Grootverbruik Ahold BV (Wholesale) directs its activities to the institutional market. Its companies sell foodstuffs and non-food products to institutional wholesalers, company restaurants, etc. The last years are marked by a series of acquisitions. In 1985 Ahold bought its main competitor - and the market leader - in this field, Kok-Ede BV, with its subsidiary Instel BV.

Instel BV started its activities over 40 years ago as a department of De Gruyter, a formerly well-known retailer (does not exist anymore, partly because it introduced the supermarket concept too late). Kok-Ede bought the company in 1981 to protect the market against below-market-competitors. Instel has an assortment of food and non-food products, but its speciality is the production of ingredients, like coffee, cocoa, tea, milk powder, soup, soft drinks and sugar, for automatons of companies and institutions.

Mister C.J. Kok started Kok-Ede BV in 1949, then under the name: 'Koks Puddingpoeder- en Meelproduktenfabriek'. First only pudding powder and flour products were produced. In the 1950s the company started to extend its assortment to other groceries. In 1974 the factory complex was modernised. Kok-Ede soon became the

market leader in these wholesale products.

Of course, Ahold already owned Albert Heijn Grootverbruik BV. This company had the same (kind of) customers as Kok-Ede. AH Grootverbruik has increasingly specialised in selling its private label products, which are, according to Ahold, "a combination of low prices and good quality".

In 1987 the distribution activities of Kok-Ede and AH Grootverbruik were integrated. These costs lead to a decline in operating results in that year. Still sales of Grootverbruik Ahold rose by 19,4 % to Dfl 495 million, partly as a result of acquisitions. Ahold bought Peter Heisen BV in Nieuwegein, the holding company Evalon BV (Evers Horecta Totaal) in Almelo, the holding company Brinkman Beheer BV (Knop en Co BV, Deventer) in Gorssel and De Koksmat Bedrijfskeukens BV in Eindhoven/Waalre.

Catering Overseas Supply (COS) BV is a part of this division, too. COS started in 1984. The company is specialised in consolidated exports of foodstuffs, household goods, etc. The customers are for instance supermarket chains abroad, import agencies, embassies. The advantage for the customer is that small volumes can be sent via COS as well. COS exports principally to countries or areas where Western consumer products are hard to get, such as countries in Africa, the Caribbean, but also to Iceland. COS employs only 9 people : "because we can use the facilities and employees of other Ahold companies".

In February this year Ahold announced that it was buying two (small) wholesalers. The first one is Gebr. Hoefsmid Vleescentrale BV in Rotterdam, a specialised meat wholesaler. The company employs 55 people. The company makes "good profits", is all Ahold wanted to say. The second one is Looman Beheer BV in Amsterdam, a wholesaler in potatoes, vegetables and fruit. This company has two subsidiaries, Looman en Zonen and Randstad Vrieshuis, and employs 45 people. In September Ahold announced that it was buying Zoutewelle, De Bie en Co BV and Leendert Meerder BV, two wholesalers in potatoes, vegetables and fruit, based in Schiedam. These acquisitions are part of Ahold's policy to enlarge its fresh food department in the wholesale division. In September 1988 Ahold addressed the SER (code) again, because it is buying 60 % of the shares in Vendrig Consultants BV in Rotterdam, a

company that advises on kitchen equipment for company restaurants.

2.3.2. AC Restaurants

In 1923 Albert Heijn BV bought the popular tearoom 'Maison Ledebor' in Amsterdam, which was sold in 1969. NV Formosa was created for the restaurant branch. In 1969 the name Formosa was changed into Albert Heijn Restaurants NV. In 1973 the NV (Ltd. or Inc.) became a BV (Private Company) and two years later this operating company of the Group changed its name to AC Restaurants BV.

The AC restaurants are a new type of restaurant in The Netherlands. In these restaurants the consumers can get her/his own consumptions or ask for them at so-called 'counters'. There is a combination of self-service and service.

Before the 1970's there were no road-side restaurants in The Netherlands, except a few for truck drivers. AC Restaurants became one of the first chains of road-side restaurants. AC Restaurants, which operates under that name, tries to attract different kind of customers, like groups, for instance those traveling by bus, business people and families from the region. The rather inexpensive fast-food roadside units serve motorists on a 24-hour basis.

AC Restaurants had some difficult years and therefore adjusted its formula and refurbishing thoroughly. In 1985 AC Restaurants introduced a new formula in its road-houses: the so-called 'Free-Flow system'. This is a kind of self-service with different 'islands' or counters with food. This year all the 17 restaurants will operate on this formula. The 'Buffet Primeur', a combination of service and self-service, was first introduced in Belgium and is now available in The Netherlands as well. The company employed 1,127 persons in The Netherlands, 380 in Belgium and 46 in the FRG in 1985.

In 1987 most of the restaurants were renovated, two new restaurants were added and one existing one was sold (total:17). All the restaurants now have the same kind of appearance, with a typical, especially designed, roof. Sales continued to rise, but

operating results lagged behind a bit due to the renovation and construction activities.

AC Restaurants own some other types of restaurants, too. In 1982 AC Restaurants started some restaurants on a take-away formula under the name 'De Smulpot' (The Gastronomer). Furthermore, the company owns an exclusive à la carte restaurant and a pan-cake restaurant.

At the moment there is a conflict about the employment of temporary workers (see chapter 5).

2.3.3. Ostara

Ostara BV, a company that runs vacation centers, became part of Ahold when Simon De Wit was bought in 1972. In 1982 the Simon organisation was fully integrated into that of Ahold. The number of vacation centers in The Netherlands increased from 4 to 5 in 1984. There is one center in the FRG as well (see chapter 3). According to Ahold the Ostara vacation centers:

"provide campsites and hook-ups for tents, trailers and recreational vehicles and feature convenience stores, restaurants and a range of creative recreational activities" (Ahold leaflet)

Ostara is not performing very well. In 1987 Ostara managed to increase its operation results "through better cost control". Now that Toko, the chain of camping stores, has been sold (see above), Ahold will certainly try to sell Ostara as well. The 1987 annual report says: "As for Ostara, new ways are sought to improve its future prospects." In January this year a spokesperson said that Ahold is not in a hurry to sell Ostara:

"Selling Ostara is an objective for the long term. We are working on it." (FD, 1-19-'88)

2.3.4. Ter Huurne

Ter Huurne's Handelsmaatschappij BV in Zaandam runs a few Ter Huurne stores, which are all located near the Dutch-German border. They attract mainly German customers for a 'recreational shopping trip abroad'.

In 1987 the price advantage vis-a-vis the Federated Republic of Germany declined, which, of course, affected sales negatively. In spite of this Ter Huurne was able to increase its sales. The operating results were, however, lower than the year before, but now - according to Ahold - "still completely satisfactory".

2.4. Real Estate and Other Activities

There is not much information available on these activities. We do have, however, the names and locations:

real estate companies

BV Ahorn, Zaandam
W. van Amerongen BV, Zaandam
BV Beehorn BV, Zaandam
Efhorn BV, Zaandam
BV De Elf Provinciën, Zaandam
Geehorn BV, Zaandam*
BV Zaangroen, Zaandam
NV Ceehorn (50 %), Zaandam
BV Eehorn (50 %), Zaandam

other companies

Ahead Advertising BV, Zaandam
Ahfin BV, Zaandam*
Alcondi BV, Zaandam
Retail Advertising BV (50 %), Amsterdam

* Ahold lists these companies separately, but in the Who Owns Whom 1988 Ahfin BV is listed as a subsidiary of Geehorn BV.

Most of the real estate companies primarily run the company buildings. The operational activities in these buildings come first. To make sure that the two functions of these buildings - as investment-funds and as means of production - do not conflict too much (as seems to have been the case in the Simon de Wit organisation in the past) Ahold has chosen for a construction in which one managing director takes care of both.

3. INTERNATIONALISATION

In this chapter we will take a look at the internationalisation of the Ahold Group. Ahold starts this process in the 1970s. In 1974 Ostara BV opens a vacation center, 'Wilsumer Berge', in the Federated Republic of Germany (FRG). One year later the first AC Restaurant in Belgium is opened, AC Motel Leuven. In 1976 Ahold establishes Ahold España SA in Madrid, the first retail chain outside The Netherlands. But the internationalisation really becomes important when Ahold crosses the Atlantic to buy BI-LO in 1977, followed by Giant Food Stores in 1981 and First National Supermarkets in 1988. Now Ahold seems to be preparing for Europe 1992; acquisitions in Europe are to be expected.

We will start with Ahold's interests in the United States (3.1) and proceed with its other interests abroad (3.2).

3.1. Ahold in the United States

Ahold changes its juridical structure when the company starts to invest in the USA. In 1977 Ahold establishes the Stichting Ahold Internationaal (Foundation Ahold International) at The Netherlands Antilles to look after the foreign interests of Ahold. Ahold NV in Zaandam directly looks after the interests in The Netherlands. This is called the 'twin-structure'. Shareholders of Ahold NV are at the same time the only participants in the capital of the Stichting Ahold Internationaal. This capital consists primarily of shares in BI-LO Inc. first plus those in Giant Food Stores Inc. later.

Ahold changes its articles of association in this way for several reasons. The most important one being the fiscal advantages of the so-called "Antilles-route" in that period. Other reasons must have been: spreading the risk and less control by the Ahold employees in The Netherlands.

In 1986, however, Ahold decides to change the juridical structure again. Now the shares of BI-LO, Giant Food Stores and Ahold International NV are transmitted to Ahold NV. The reason given by Ahold for this change is the expansion of its interests

in the USA. Another reason must be the decrease in the fiscal attractiveness of The Netherlands Antilles.

Ahold tries to limit workers influence again: it wants to create an Ahold USA Inc. and an Ahold The Netherlands BV (plus in future perhaps Ahold Country B, Ahold Country C) under the umbrella of the Royal Ahold NV. The workers would then be further away from the center of decision-making power. They would not be able to discuss Ahold's policy - as a Group - anymore. The Dutch Central Workers Council is against this proposed structure (see chapter 5.3.2).

Ahold's companies for the USA are:

Ahold USA BV, Zaandam

Ahold USA Inc., Delaware

Foodhold USA Inc., Mauldin, S.C.

For the retail trade we find:

Ahold USA Inc., Morristown, N.J.

BI-LO Inc., Mauldin, S.C.

Giant Food Stores Inc., Carlisle, Pa.

FNS Holding Company, Inc., Cleveland, Ohio

First National Supermarkets, Inc., idem

When Ahold started to invest in the USA Mr. Albert Heijn said:

"It is certainly not our intention to move our activities or our headquarters elsewhere." (V 10-8-'88)

Mr. J. van der Meer (then member of the Corporate Executive Board, member of Stichting Ahold International and Director of BI-LO) said he thought the Americans could learn something from Ahold:

"The American retail trade companies are not used to buy their products directly at the source, as we do. We are far better merchandisers and we have better purchasing channels as well." (idem)

3.1.1 BI-LO

On August 22, 1977 the acquisition of BI-LO Inc. by Ahold becomes a fact. Some months before Ahold reached an agreement with the management of that company. Later it was estimated that Ahold payed some US \$ 70 million for BI-LO, 8 times its profits. BI-LO is described in Ahold's annual report of 1977 as:

"a rapidly expanding, relatively young company with an established market position in the southern state South Carolina, with, furthermore, branches in North Carolina and Georgia."

The chain runs - at that moment - 96 supermarkets with sales worth almost Dfl 1 billion a year. About 5,600 people are employed (at least 33 1/3 % of normal working hours). Invested capital: Dfl 167,247 million.

BI-LO (phonetic for: "Buy Low") operates differently from the supermarkets in Europe/Netherlands of that time. The net profit margins are higher, the sales surface is larger (1,800 square meters) and the assortment is about twice as big.

Ahold expects to increase the number of supermarkets to 120 or 130 in a few years time. Ahold thinks improvement of internal communication at BI-LO to be essential. In the first year a new computer is ordered.

It soon appears that Ahold has been too optimistic. BI-LO does not perform as had been expected. The turnover in 1977 e.g. was somewhat higher than the year before, but the result was less. The reason - according to Ahold - the increased competition. This is an argument we find in the latest annual report as well!

In 1978 BI-LO starts an advertising campaign to stress its discount character with low prices. BI-LO also starts to experiment with products without a trade-mark, the so-called 'white labels'. BI-LO's market share remains between 8 and 9 %. Ahold effectuates the pension arrangement (agreed upon at the time of the take-over) and reduces the normal working time to 44 hours a week (around 40 hours in The Netherlands at that time!).

Table 3 Key figures of BI-LO

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Sales	138	460	530	618
Sales growth	n.a.	15.3	16.0	12.9
Locations	98	103	119	117
Sales area	173	183	199	206
Sales/area	n.a.	n.a.	n.a.	n.a.
Invested	68	75	191	100
Employees	5,600	5,662	6,757	5,131

Table 3 Continued

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
Sales	728	807	920	1,011
Sales Growth	17.8	10.9	14.1	9.8
Locations	129	147	150	152
Sales area	201	237	244	249
Sales/area	3,600	3,400	3,800	4,000
Invested	n.a.	n.a.	n.a.	n.a.
Employees	6,069	6,343	6,535	6,670

Table 3 Continued

	<u>1985</u>	<u>1986</u>	<u>1987</u>
Sales	1,085	1,127	1,219
Sales growth	7.3	3.9	8.1
Locations	154	160	173
Sales area	245	266	288
Sales/area	4,300	4,200	4,070
Invested	n.a.	n.a.	n.a.
Employees	7,598	8,222	9,725

Sales x 1 million US \$, starting 8-22-'77; sales growth in %; sales area x 1,000 sq.meters; sales/area = sales per sq.m.in US \$; invested = invested capital x 1 million US \$; employee = until 1980 persons working at least 33 1/3 % of normal working hours, but from 1980 onwards in full-time equivalents (fte).

In 1979 Ahold invests substantially. The building of the headquarters and the remaining part of the distribution center in Mauldin are bought and the number of stores is increased again. BI-LO develops a long term plan for its social policy. The performance review of the employees is structured. Ahold says in its annual report:

"Because of the abundance of labour in the working area of BI-LO it is not difficult to employ more people. BI-LO is appreciated in the area as employer, not in the least because of the good labour climate in the company."

In 1980 Ahold wants to strengthen BI-LO's identity: a new 'home style' is developed. In the new formula the customer has to get the feeling that BI-LO does not only sell its products very cheaply, but that its very nice shopping in the stores because of the service and quality, too. All the supermarkets are going to be refurbished in the new style in the following years. Ahold invests again substantially by modernising BI-LO's transport and enlarging the freeze facilities in the distribution center. The management is strengthened and the evaluation of the performance of the employees leads to some adjustments in the organisation.

In 1981 Ahold has to admit that BI-LO's operating results are lower than estimated, "because of the recession and the increasing competition". BI-LO experiments with the introduction of some beers and wines. This proves to be successful and therefore wine and beer departments are going to be introduced in many other branches as well in the next years. The system of buying and packing of meat is changed in order to be able to sell more stable quality against lower costs. A study shows that the facilities of the one and only distribution center will be enough for the next few years. For all employees a sick-leave arrangement is introduced. Furthermore the benefits in case of disability and decease are improved. A new system of evaluation of the performance of the employees is introduced and a training program is started.

In 1982 the number of customers increase because of BI-LO's "aggressive market approach". More than 1 million people shop at a BI-LO branch each week, but - because of the economic situation - the expenditure per customer decreases. BI-LO sells about 10.000 different articles, of which 75 % are supplied by its own distribution center, which is reorganised. BI-LO sells more meat. In the branches a system of self-service for the meat departments is introduced. Furthermore, the modernisation programme of the branches continues. BI-LO opens one supermarket in a "new" state, Tennessee. The company starts with 'management development' and other training programs.

In both 1982 and 1983 the operating results increase. In the last year BI-LO starts to set up consumer advice bodies. A new computer programme is introduced for the logistics system. The

annual report says about its social policy: "in various ways co-operation was given to employment programmes for different groups in society."

Ahold writes in its 1984 annual report that the economy develops favourably in BI-LO's working area and that the purchasing-power increases "be it, that employment in the textiles, so important for this area, unfortunately further decreased". 1984 is a good year for the company: sales pass the "magical" figure of US \$ 1 billion. The first 'in-store' bakery and a new scanning system are introduced. The development of private labels is stimulated and this only happens because its Dutch parent company wants it. The labor conditions improve: vacation pay for part-timers and a profit-share-and-investment plan. Employees with a full-time job, who work two years or more for the company, are now entitled to two weeks vacation a year (compare this to about 21 days in The Netherlands!). BI-LO starts a motivation campaign under its employees to be able to meet up to its slogan: 'clean, fresh, friendly and more for your money'. An employee-of-the-month and the "most friendly store" are chosen. Management and employees start to have regular meetings.

In 1985 purchasing-power increases again and inflation decreases. Still Ahold is not very satisfied about BI-LO's performance:

"The for 1985 expected increase in operating results was not met because of increased competition. The 1985 result slightly lagged behind that of 1984."

Ahold invests "considerably" in the infrastructure, esp. in a new computer configuration. The central storehouse starts to make daily deliveries to all branches (6 days a week). The employees get more payed days off. Company security is improved. A new system for selecting branch managers is introduced. Training facilities are extended.

1986 is a "tough year" for BI-LO, because of the fierce price competition, but still the operating result improves. One of the reasons: its good purchasing policy. The annual reports says that there are "new managing directors" (no explanations given!). The formula is adjusted: larger assortment, esp. fresh products. The BI-LO label has 240 products. The new "home style"

is now introduced in all the stores; the 'bake-off' departments are introduced in more branches. BI-LO starts to rent video tapes. 10,536 employees (8,222 fte) are employed; 350 persons are promoted. Benefits (sick-pay) and training facilities are improved.

In 1987 happens what Ahold already predicted the year before: the operating results decrease. They decrease however, not only because of "starting costs of the ambitious expansion programme" (annual report 1986), but also because of competition. The 1987 annual report says:

"The fierce price competition which appeared in the Greenville, S.C. area, in 1986, spread across BI-LO's entire market area in the course of 1987. Competitors opened some 100 new stores in BI-LO's area. As a result, the volume of sales per square foot came under pressure."

As expected, operating results decrease in 1987, "reflecting pressure on margins due to heavy price competition, coupled with non-recurring high opening costs of new stores and refurbishing of existing locations." Again BI-LO has to "modify" its retailing formula:

"Whereas BI-LO continues to operate as a discounter, the growing popularity of the one-stop shopping concept has led the chain to steadily expand the number of departments in its stores, particularly in the fresh food sector."

The BI-LO private label line grows and now features about 525 products. In-store scanners are now operational in 60 % of the stores. By 1988 year end, all stores have to be equipped with scanners and in-store micro-computers. BI-LO moves into its new headquarters building in Mauldin and two distribution facilities are enlarged.

In 1987 12,644 people are employed by BI-LO (9,725 full-time equivalents). Benefits are strengthened, particularly in the area of disability benefits. The equal opportunity affirmative action programs are intensified. Education and training are viewed to be very important, because of the "repositioning of BI-LO as a full-service retailer". For instance, some 500 employees are trained to staff 48 new delicatessen and bake-off departments.

On Wednesday October 26, 1988 Ahold announced that it bought 21 supermarkets in South Carolina from the Kroger Company. These supermarkets will be actually added to the BI-LO Inc. next year. Ahold says BI-LO pays US\$ 34 million in cash for the supermarkets from its own financial means. Kroger is - with its 1300 supermarkets - one of the biggest retail chains in the USA. Kroger got into problems when the investment bank Kohlberg Kravis Roberts (KKR, in the news with its record offer of US\$ 20,3 billion on RJR Nabisco) offered over US\$ 5 billion for a leveraged buy-out. Kroger turned the offer down, but now has to do something to satisfy its shareholders: US\$ 40 dividend extra (plus an unknown sum in securities). Therefore Kroger needs cash urgently. The company reorganises its supermarket chain and wants to sell for around US\$ 300 million. Spokesperson Paul Bernish of the Kroger Company:

"We sell all supermarkets in those areas where we are not the market leader. For instance in some areas in North and South Carolina where Ahold's subsidiary BI-LO is stronger than we are. For us these supermarkets are no good."

(V 10-27-'88)

According to Ahold BI-LO will be able to increase its sales with 10 % because of this acquisition.

3.1.2 Giant Food Stores

Ahold buys Giant Food Stores Inc. in Pennsylvania on November 15, 1981. Later it was estimated that Ahold must have payed about US\$ 30 million for Giant Food Stores (GFS), 10 times its profits. GFS has a yearly turnover of approximately \$ 300 million at the time. GFS owns 31 supermarkets in Pennsylvania, Maryland and West Virginia and employs 2,051 people (full-time equivalents).

In 1981 GFS operates on the discount formula (high sales, low margins) with an assortment of over 10,000 (primarily food) products, including some private label products. Most stores have a bakery of their own. GFS stores are self-service, except for the fish and delicatessen departments. Ahold stresses that GFS is

quite different from BI-LO, the two companies are even "not comparable", not only because of the geographical difference: GFS does not have an own distribution center, but only some distribution facilities for vegetables, fruit and 'special campaign' groceries. Most supplies are directly distributed by the suppliers to the GFS stores.

Table 4	<u>Key figures of Giant Food Stores</u>			
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
Sales	44	349	375	429
Sales growth	n.a.	n.a.	7.4	14.7
Locations	31	34	36	38
Sales area	54	60	64	69
Sales/area	5,500	5,800	5,900	6,200
Employees	2,051	2,221	2,377	2,386

Table 4	<u>Continued</u>		
	<u>1985</u>	<u>1986</u>	<u>1987</u>
Sales	483	529	618
Sales growth	12.5	9.4	16.8
Locations	39	41	48
Sales area	74	78	92
Sales/area	6,600	6,800	6,490
Employees	2,831	3,060	3,577

Sales x 1 million US\$, in 1981 only from 11-15-'88; see remarks table 3.

In 1982 GFS performs as Ahold expected the company to do. The economic situation is not easy: economic recession, less purchasing-power, competition. GFS retains its market share, but at the expense of its profit margin. However, the result is slightly better than expected, because of the sales growth. The external costs and those for advertising increase substantially. GFS is introducing new pay-desk systems and tries to save energy in order to lower costs. GFS looks closely at the labor conditions in the surrounding area and adjusts its own when necessary. This year GFS improves labor conditions. GFS starts programs for evaluation its employees. In 1982 49 persons are promoted and 59 employees change their part-time work in a full-time job. GFS tries to improve internal communication, among other things by introducing a so-called 'Forum-programme': meetings of small groups of the employees with the managing directors.

In 1983 the economic situation improves and GFS meets up to expectations again; the result is "satisfactory". The total number of employees is 3,696 (or 2,377 full-time equivalents). About 36 part-timers become full-time employed and 31 persons are promoted to department or branch manager. A training program for branch managers is developed.

In 1984 GFS expands its operations to a fourth state: Virginia. The operating results "increased satisfactory". Branches are modernised and scanning equipment is further introduced. Furthermore, market research shows that consumers want to buy more healthy, fresh products and therefore those products, esp. vegetables, fruit and meat, are introduced in the GFS branches. GFS tries to retain its market share in spite of competition and hopes to penetrate new markets in future. The own distribution center will be fully modernised and the service will be improved. The average number of employees increases to 3,948 (2,386 fte). 66 part-timers become full-time employed and 54 employees are promoted to managerial functions. Two training programs of 12 weeks are held for branch managers and a grocer training is introduced for this group as well. GFS experiments successfully with training programs on video, which are to be extended.

GFS performs well in 1985, too. The annual report says:
"In order to rise productivity further extensive amounts were spent."

All stores are now provided with large departments for vegetables and fruit. Most also sell flowers, plants, bakery products, fresh fish, dairy products, meat and delicatessen.

GFS introduces a new central computer. GFS has many part-timers employed: the 4,554 people employed = 2,831 full-time equivalents! Some 125 part-timers become full-timers and 61 persons are promoted. The annual report states: "More attention was payed to the position of women within Giant Food Stores." , without mentioning the exact policy and its results!

In the 1985 annual report a remark is made on trade union activities, too:

"The expansion of our activities in the direction of Philadelphia was accompanied by trade union activities with

the view to gain influence in our stores."

The United Food and Commercial Workers International Union (1,3 million membership) claims that GFS pays low wages and does not want to negotiate with the trade union. The UFCW therefore organises picket-lines and asks consumers to boycott the stores in 1984 and 1985. Mr. Peter Huegel (UFCW) says that because of the campaigns the weekly sales in two GFS branches dropped from US \$ 400,000 to \$ 100,000. Mr. Nick Riso, the managing director, only replies:

"I do not know how they could know that. Everybody can say anything." (NRC 8-8-'88)

According to Mr. Huegel, who visits the Dienstenbond FNV (Service Union FNV), in unionized supermarkets 12 cents of every \$ 1 sales goes to wages and other labor conditions, but ununionized ones, like Ahold, only pay 7,5 dollar cents. Therefore GFS wants to keep the union out and even fires employees who sign the request for recognition of the trade union. Mr. Riso both denies that wages are lower at GFS than elsewhere and that employees are fired for signing the request ("it is absolutely not true and besides against the law"). GFS starts several law suits against the union and its representatives. One of the headlines in a Dutch newspaper:

"Ahold in the US wants prohibition of demonstrations"
(NRC, 8-6'88)

(See chapter 5.4. as well).

In 1986 the results increase again. The competition faced by GFS is different from that of BI-LO:

"The competition in the operating area of Giant food Stores is fierce as well, but is less on prices as on service." GFS improves its service and gets a higher market share. The assortment is extended, among other things with exotic fruits, delicatessen and grease-proof meat products. Practically all branches furnish new departments for flowers and plants. All new and (in 1986) renovated branches receive scanning equipment and micro-computers. GFS employs 4,936 persons (3,060 fte); 150 part-timers become full-timers and more than 70 employees become managers. For the first time a Career Day is organised for junior managers interested in long-term career advancement possibilities

within the company. Many training courses are given. A survey is held under the employees (as had been done in 1984 as well) to measure their opinions on the work sphere.

In 1987 sales and operating results increase again. Ahold talks about "the continued success of its 'everyday low prices' policy". The product assortment is further broadened and adjusted. Pharmacies are added to the last two new stores and will be added to a number of existing and new ones (compare Pharmatos in The Netherlands!). In 1987 GFS employs 5,755 people (3,577 fte). The annual report says:

"In the course of 1987 Giant began to experience some difficulty in attracting an adequate number of qualified job applicants, especially for senior posts. Consequently, certain salary scales were adjusted, to keep the company competitive in the job market".

For the second time a Career Day is held. On trade union activities the annual report says:

"Attempts by labor unions to organize employees at certain Giant stores were not succesful."

3.1.3 First National Supermarkets

Ahold has been looking around in the USA to buy a new supermarket chain for about four years. In January 29, 1988 Ahold succeeds in buying First National Supermarkets (FNS). Ahold takes (via Ahold USA) a 80 % interest in First National Supermarkets Holding Company, the holding of FNS, by buying shares from the owner-managers and taking warrants (claiming the right to buy other shares against a fixed price). The other 20 % will be bought in three years time (1989-1992); the price will be determined on the base of the operating results in the years to come.

The take-over still comes a bit unexpectedly. Ahold had been looking around to buy a chain, but could not find the right one for the right price for years. Ahold examined 12 supermarket chains, made 2 offers, but in vain. In March 1987, Mr. Albert Heijn even said Ahold would try to grow in the US by autonomous

growth instead of looking for acquisitions. But in November the Corporate Executive Board said negotiations were going on with "potential candidates". The favourable exchange rate has played a role in the acquisition of FNS, the number 15 on Ahold's shopping list, but not a "dominating" one. It took 3 months and a staff of 8 persons to come to the decision.

FNS owns 122 supermarkets with a total yearly sales of more than US\$ 1,6 billion and 15,000 employees (= 11,000 fte). The FNS supermarkets are based in Ohio, Connecticut, New York, New Hampshire, Vermont and Massachusetts. FNS runs three different types of supermarkets under the names Finast, Edwards and Pick 'n Pay. The last ones are rather small (1,500-2,000 sq.m.), neighbourhood oriented. The Edwards stores (4,000-5,000 sq.m.) run a small assortment of very cheap articles (discount formula). The Finast supermarkets are very large (5,000 sq.m. or more) and based on the 'one-stop-shopping' concept.

Ahold says this third chain "exactly matches" the two existing ones in the USA. Ahold is now practically represented all over the East Coast. FNS sales are approximately as big as those of BI-LO and Giant Food Stores together. After the takeover Ahold will be one of the ten largest supermarket chains in the USA with about 350 supermarkets and sales between US\$ 3 and 4 billion. In this 'top ten' we find two other West European corporations as well: Tengelmann (FRG) and Delhaize (Belgium). Tengelmann's sales in its 1400 supermarkets in the USA and Canada are worth US\$ 8 billion a year. Those of the almost 400 supermarkets of Delhaize about US\$ 2,4 billion (in 1986).

It has not been revealed how much Ahold pays for FNS. Ahold only says it would use its available liquid assets. Those assets are around Dfl 500 million. Analysts estimate that Ahold probably pays between the Dfl 400 and 500 million for the 80 % interest. The payment of the good-will is going to be written off of Ahold's own capital. Mr. Richard J. Bogomolny, owner-manager of FNS, says:

"FNS is not a company with shares priced on the stock market. We are, therefore, not obliged to reveal the purchasing-price. I do not feel like telling it, because it would, unnecessarily, draw attention and make me a target. It just

could be that the celebration of the centennial of Albert Heijn brought the kidnapers of Gerrit Jan on the wrong thoughts." (V.1-18-'88)

Ahold expects the net profit of FNS for 1988 to be zero, because of the substantially non-recurring costs Ahold has to make for a 'upgrading'. Ahold will be investing around US\$ 25 - 30 million this year. According to a trade unionist, quoting Bogomolny, Ahold is going to invest about US\$ 100 million in the next three years in FNS. Bogomolny says FNS was sold after a management-buy-out and a drastic reorganisation operation (from 254 stores to 122!), because FNS had not enough financial means anymore: "With the money from Ahold everything is possible again." He considers Ahold to perform the role of a "banker".

Mr. C.H. van der Hoeven, a member of the Corporate Executive Board of Ahold (financial policy) and involved in the negotiations, is very happy about the take-over. He is going to be a member of the FNS Board as well. He says most branches of FNS are located near Cleveland in Ohio. FNS owns about 50 supermarkets in this area and has the largest market share. In Connecticut FNS owns 40 supermarkets and has only one important competitor. In the other states the market shares are not substantial. According to Van der Hoeven all the Pick 'n Pay stores and the Edwards in Connecticut will be replaced by Finast supermarkets. The total number of stores is not going to be extended, because two small Pick 'n Pay stores will be replaced by one big Finast. Only on Long Island the number of stores (now 9) is going to be extended.

Van der Hoeven says Ahold can use its knowledge of logistics and automatisisation to develop Finast further. But Ahold can learn a lot of Finast too:

"The Finast branches are - for Dutch concepts - really gigantic stores. They contain an enormous amount of service departments for bread, meat, delicatessen and the like. Only the vegetables department is bigger than most supermarkets in The Netherlands... Especially the latest Finast stores are - in respect of furnishing - the best of the best. We only had something similar on the drawing-table."

(FD, 1-18-'88)

In New York there is a Finast supermarket of about 6,000 square meters; that is bigger than even the enormous supermarkets of Carrefour in France. The largest Finast supermarket - in West-Cleveland - is even 20,000 square meters; customers receive a ground-plan! Customers can buy their groceries, vegetables, fruit, meat, bread, almond pastries and luxurious delicatessen, but they can also rent video's, buy chemist's products and go to the bank in the same store. A kind of sprinkler keeps the vegetables and fruit fresh. The 'American Style' supermarket is somewhat imitated in The Netherlands, where Albert Heijn opened this spring the "supermarket of the future" in Tilburg.

The take-over of FNS by Ahold comes as a surprise in the USA as well. A local radio reporter says:

"And then there is unbelievable news. The Dutch corporation Ahold has taken over First National Supermarkets, the biggest supermarket chain in North East Ohio." (V 1-18-'88)

Most reactions are positive. Only a customer says: "Oh, my God, no, nobody likes to be controlled by foreigners." Richard Bogomolny, together with Robert Samuels the owner-manager until the take-over, explains: "This area is almost allergic to foreigners, especially to the Japanese.", because of cheap Japanese imports which are said to have ruined the traditional industries (steel, cars, rubber). At six meetings Bogomolny explains the take-over to the employees, who first state to have liked a remaining American interest in FNS, but who applaud at the end of Bogomolny's speech. Mr. Bogomolny:

"I have told them that Ahold has a good reputation in the United States and that the corporation does not consider its American companies to be milch-cows. The take-over of the BI-LO and Giant chains by Ahold shows that the corporation is prepared to do substantially investments here. That means that FNS will be able to expand." (V. 1-18-'88)

The current managing directors will stay. According to Bogomolny Ahold will not send Dutch managers over and there will be no mergers or reorganisations with BI-LO or GFS.

The Dutch Ahold top does however, think about forms of co-operation between the 3 chains. The first contact between Ahold and FNS dates back to april 1986. Then the BI-LO supermarkets and

FNS started to produce their private label products together in order to lower costs. Now Ahold's suppliers in the USA can be put under pressure to supply the 3 chains against lower prices. Furthermore, Ahold's 840 truck drivers are going to drive for all 3 as well. The advantages in the fields of logistics and organisation are limited however, because the companies operate in different states. Van der Hoeven says the acquisition of FNS will have no negative consequences for the expansion programme of the BI-LO and GFS. Furthermore, he states that Ahold will - for the time being - look for new acquisitions in Europe.

3.2. Ahold interests outside The Netherlands and the USA

Ahold's interests outside The Netherlands and the USA are as yet not very important. Some years ago Ahold started an investment adventure in Spain, but that failed. Now only some very small interests in Spain remain. Furthermore, Ahold has some small investments in Belgium and the FRG, a finance company in The Netherlands Antilles and a holding in Switzerland. Probably Ahold is going to expand in Europe soon.

3.2.1. Spain

In 1976 Ahold establishes Ahold España SA in Madrid. Spain is then still ruled by dictator Franco. Ahold says this new activity marks the "final step towards investment abroad". Both in 1976 and 1977 two supermarkets are opened. They operate under the name: CadaDía (Every Day).

Later the name Ahold España SA is changed in CadaDía SA. In 1985 Ahold sells its supermarket chain to the British retail organisation Dee Corporation, which already has some supermarkets of its own in Spain. We will give the key figures from 1978 onwards in table 5 and further concentrate on the period 1981-1985.

Table 5

Key Figures of CadaDía

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Sales	390	814	1,884	1,941
Sales Growth	36.5	108.8	131.4	3.1
Locations	5	10	26	29
Sales area	3	4	11	13
Sales/area	n.a.	n.a.	n.a.	155
Employees	109	175	316	300

Continued

	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Sales	2,682	3,543	4,298	1,691
Sales Growth	38.1	32.1	21.3	n.a.
Locations	34	34	37	n.a.
Sales area	14	14	15	n.a.
Sales/area	194	251	275	n.a.
Employees	344	303	310	95

Sales x 1 million Ptas (until 4-30-'85); sales growth in %: sales area x 1,000 square meters; employees: for 1978 and 1979 at least 33 1\3 of normal working hours and in full-time equivalents afterwards.

Ahold in Spain is troubled by the recession and the lower purchasing-power of the customers. Furthermore, the Spanish authorities are not quickly responding at requests to get a licence to open new 'supermercados'. In 1980 Ahold starts with a new formula, besides the supermarkets, the so-called "superdescuentos", small discount shops (low prices, a small assortment) In that year a new headquarters and distribution center are opened. In 1981 the poisoned olive-oil scandal contributes to the draw back. Ahold had hoped to reach the 'break-even point' in that year, but does not succeed. Still Ahold plans to open new supermercados and superdescuentos. New computer systems are introduced. A training program starts. Some senior managers are attracted from outside the company. With regard to the Workers Council the 1981 annual report says:

"Now we have had some years of experience, more structure has been brought into the relation with the Workers Council."

In 1982 the results of Ahold España are again negative. The sales growth of 38.1 % looks impressive, but inflation is 15 %. Because of the difficult situation in Spain Ahold does not expand its number of stores as much as had been planned the year before. It attracts attention that Ahold España does not employ as many part-timers as in other countries. In 1982 346 persons are

employed and that is the same as 344 full-time equivalents. This situation is due to the Spanish legislation of the time. Ahold complains about a continued shortage of a good qualified management and therefore extends its training schedules. A collective labor agreement for the Madrid area has been concluded. Furthermore, the newly chosen Workers Council has - according to Ahold "unfortunately" - only 11 members (instead of 13), because there were no more candidates. All the candidates were put forward by the trade unions.

In 1983 the retail trade organisation in Spain is reorganised drastically, because of the unsatisfactory results. The two formulas, supermercados and superdescuentos, are integrated regarding name, home style, assortment and price setting. The fresh food departments are boarded out. The stores attract more customers and the expenditure per customer rises. The sales grow of 32 % is partly due to inflation (10 %). The negative result is about the same as over the year before. Still Ahold remains optimistic:

"The way things go support the confidence that the CadaDía chain will reach the break-even point in the near future."
(annual report 1983)

The 1983 reorganisation means important changes for the employees. There is a "relatively big reduction" in the number of employees: 28. Because of changes in the Spanish legislation it becomes possible to attract part-timers, which will lead to a "more flexible policy". After "extensive consultation" with the Workers Council it has been agreed that functions composed of more than one task may be introduced. Real wages have not been improved, because the inflation has only partly been compensated.

In 1984 the economic situation in Spain is not favourable: more unemployment and a loss of purchasing-power of 4 %, in spite of the higher exports and the reduction in inflation. The retailers have a difficult time, but CadaDía develops "prosperous". All stores have now been modernised. "Based upon experiences in The Netherlands" a training program has been developed for the employees in different levels of the organisation. Management and the Workers Council conclude a temporary agreement, because a national collective labor agreement could not be concluded.

Only a part of the inflation is compensated.

Ahold does not mention its reasons for selling CadaDía to the British Dee Corporation in its 1985 annual report. Ahold's Corporate Executive Board explains, however, that CadaDía's new approach seems to work but that it's necessary to operate on a larger scale. Therefore, Ahold looked for potential partners. During talks with the Dee Corporation it appeared the best thing to merge the activities of CadaDía (38 stores) with those of Digma, Dee's supermarket chain. All the 320 employees will keep their jobs. Ahold and the Dee Corporation do not reveal the price for which CadaDía is sold.

Statements made by different Ahold top persons later indicate that there must have been a lot of discussion about keeping or selling the retail trade chain in Spain. Some, like Mr. Van der Meer (until 1985 one of the managing directors of Ahold International NV), have the feeling that CadaDía has been sold too soon. Van der Meer thinks the company just needed one other year in order to present good results. But others, like Mr. Albert Heijn, think that it has not been a good idea after all to start own stores in another country. Mr. Albert Heijn is convinced that eating habits differ too much in each country. Therefore local people have to set up the stores themselves. And Ahold ought to buy existing supermarket chains. Mr. Albert Heijn says:

"Put an Albert Heijn supermarket in France or England and it will fail." (ED, 5-20-'87)

After this experience it is not very likely that Ahold will start an own chain of supermarkets abroad again.

Ahold's only remaining investment in Spain is its 50 % interest in Luiz Paez, the sherry bodegas, which always performed well. In 1987 Luiz Paez again increases its sales and operating results. The annual report says:

"Thanks to Albert Heijn's position as Holland's leading sherry purveyor, the Spanish company is presently the Jerez region's largest sherry exporter to The Netherlands."

3.2.2. Ahold's other interests abroad

Ahold other foreign interests are Ahold Financieringsmaatschappij NV in Curaçao (Netherlands Antilles, which have "an autonomous position within the Dutch monarchy"), Ahold International (Nederlandse Antillen) NV in Curaçao (Netherlands Antilles), Ahold Holding ag. in Zug (Switzerland), AC Restaurants België NV in Leuven (Belgium) and Wilsumer Berge, a vacation center in the FRG, opened in 1974 and belonging to Ostara BV in Zaandam. We will only pay some attention to AC Restaurants België.

The first AC Restaurant outside The Netherlands is opened in 1975: AC Motel Leuven. In 1977 an AC Restaurant is opened in Brohtal in the FRG as well. In 1978 Ahold buys some branches of Jacques Borel International and because of this acquisition the number of Belgian AC Restaurants is extended with one motel and about ten restaurants along the Belgian high ways. Now more AC's are established in Belgium the juridical structure is changed: AC Restaurants BV in Zaandam for the restaurants in The Netherlands and AC Restaurants België NV for those abroad. In 1985 AC opens its first 'Buffet Primeur', a restaurant that combines service and self-service, in the center of Brussels. Nowadays there are eight AC Restaurants in Belgium and still one in the FRG (for comparison: 17 in The Netherlands). The 1987 annual report says:

"As in 1986, the restaurant in West Germany achieved good operating results; efforts are underway to secure suitable new locations."

Still it is to be expected that the restaurant interests will remain rather small and the vacation centers, including the one in the FRG, may all be sold. It is however, very likely that Ahold is going to buy other supermarket chains in Europe.

In May 1987 Mr. P.J. Everaert, member of the Ahold's Corporate Executive Board, says:

"Our strategy is a third chain in another currency than the Dutch guilder or the US dollar." (ED, 5-20-'88)

Ahold has been looking around in the United Kingdom. The Financial Times writes that British food retailers offer considerably better margins than in the US and some parts of Europe. However, Ahold thinks the prices for buying a British supermarket chain are far too high. Now Ahold is 'shopping' in the Federated

Republic of Germany. The Financial Times writes that "bulk buying power is one of retailing's main strenghts" in the FRG (FT, 11-28-'86). Mr. Everaert again:

"We want to buy something big there; we think of around DM 2 - 2,5 billion."

Mr. Everaert has immediately been called back by the rest of the Corporate Executive Board: no definite decision has been made regarding acquisitions, Mr. Everaert has been too positive.

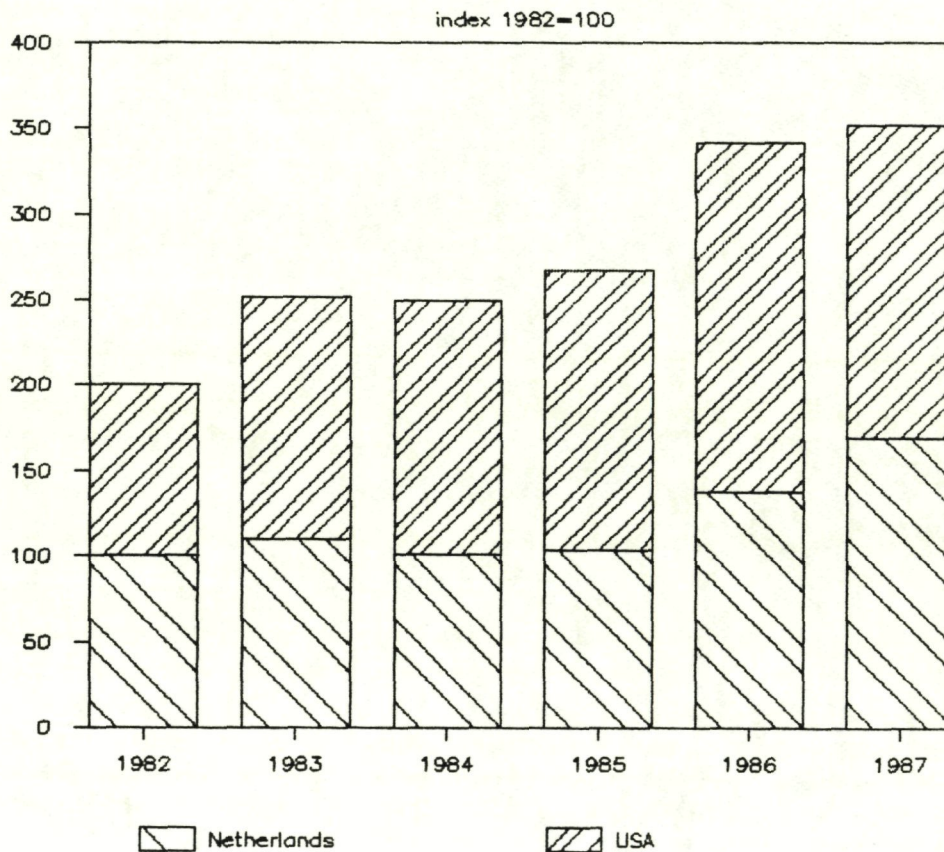
4. AHOLD IN FIGURES

In this chapter we are concerned with questions about the financial position of the Ahold company. The main questions are: What are the financial results of the company? What has been the development of the costs and the productivity? Is the business financially sound? And how and in what activities does the company make its investments? (See the absolute figures in Appendix C).

Starting to answer these questions, we look at the first graphic about the development of the operating results in The Netherlands and in the United States. The yearly results in The Netherlands as well as the results in the States are prominently increased. (Note: The indices in the graphics are calculated on the USA results in **dollars** and the Dutch results in **guilders**; that means the disturbing influence of the fluctuating exchange rate is mostly eliminated; see appendix B for the exchange rates).

Graphic 1

DEVELOP.of OPERATING RESULTS



Operating results for the first half year of 1988 are 22.2 % higher than in the corresponding period of 1987. Expressed in local currencies, operating results both in The Netherlands and the United States showed an upward trend. In The Netherlands this trend was caused chiefly by Albert Heijn results and a positive contribution from newly acquired business. In the United States operating results were considerably higher as the result of the acquisition of FNS, whose operating results showed a favorable trend. Operating results at BI-LO and GFS were also better than in 1987. (Source: interim report 1988/2)

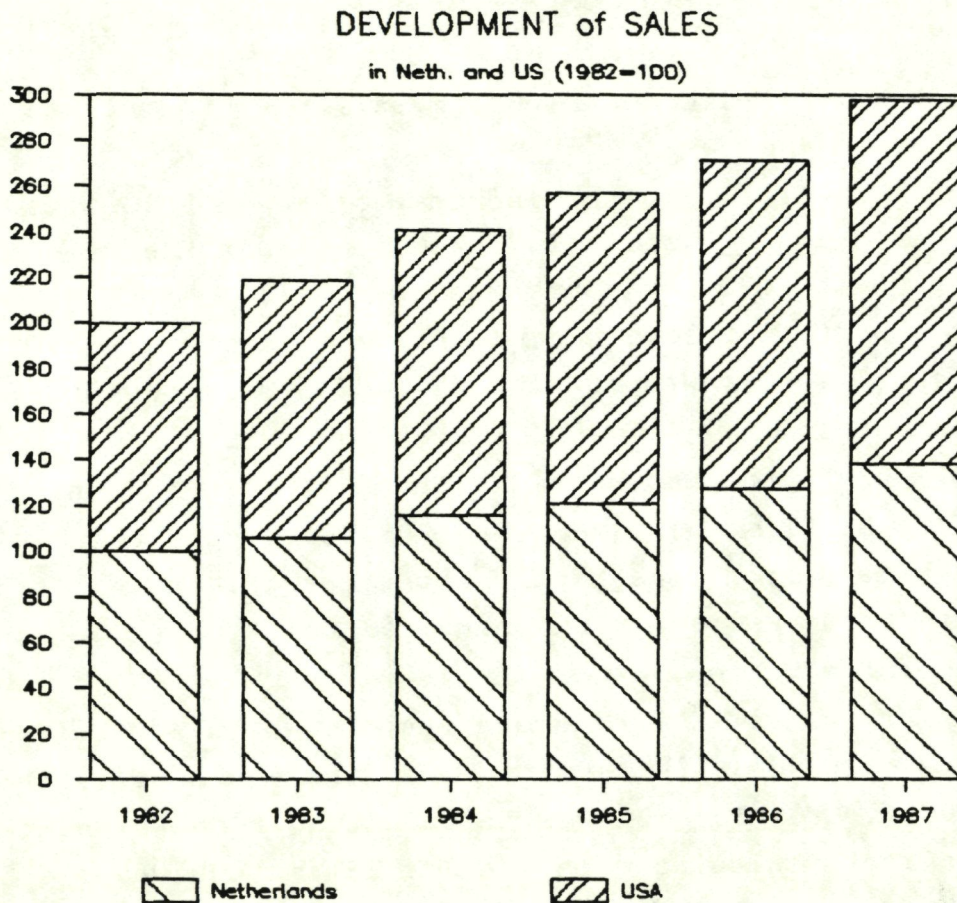
Which factors did contribute mostly to this increase of the results?

The first factor is the increase of the **total sales** by the company. As graphic 2 shows in The Netherlands the sales increased from 1982 to 1987 and this increase will be accelerated in 1988 because of the recent acquisitions (Schuitema, Gall & Gall, Party Shops). The growth in the United States is even higher, both by the autonomous growth of BI-LO and GFS for the period 1982-1987, as by the new acquisition of FNS. In the United States sales over the first half year of 1988 double the figures of 1987 over the same period. Graphic 3 shows that the the operating results over the whole period increased relatively more than the increase of the sales.

This brings us to the second factor, which contributed to the increasing positive results, i.e. the **increase in the productivity**. Graphic 4 shows the operating results related to the employment, calculated in fte (full-time equivalents). (Note: The number of employed persons is much higher than the fte, because of the large number of part-time workers, see chapter 5). Notable is the much higher increase in productivity in the United States than in The Netherlands. This trend is also shown in graphic 5 where the sales per fte in The Netherlands are about the same over the whole period, while there is a remarkable increase of the sales per worker fte in the United States. The lower productivity in The Netherlands seems to be - at least partly - due to the fact that more service is (and has to be) given in the Dutch supermarkets (see chapter 6.1.4).

This brings us to the next question, whether and how far this productivity increase had caused a increase of salaries per worker (fte). Graphic 6 shows the development of the salaries paid per worker (fte). They are more or less stable. **An increase comparable to the increase in productivity can not be marked.**

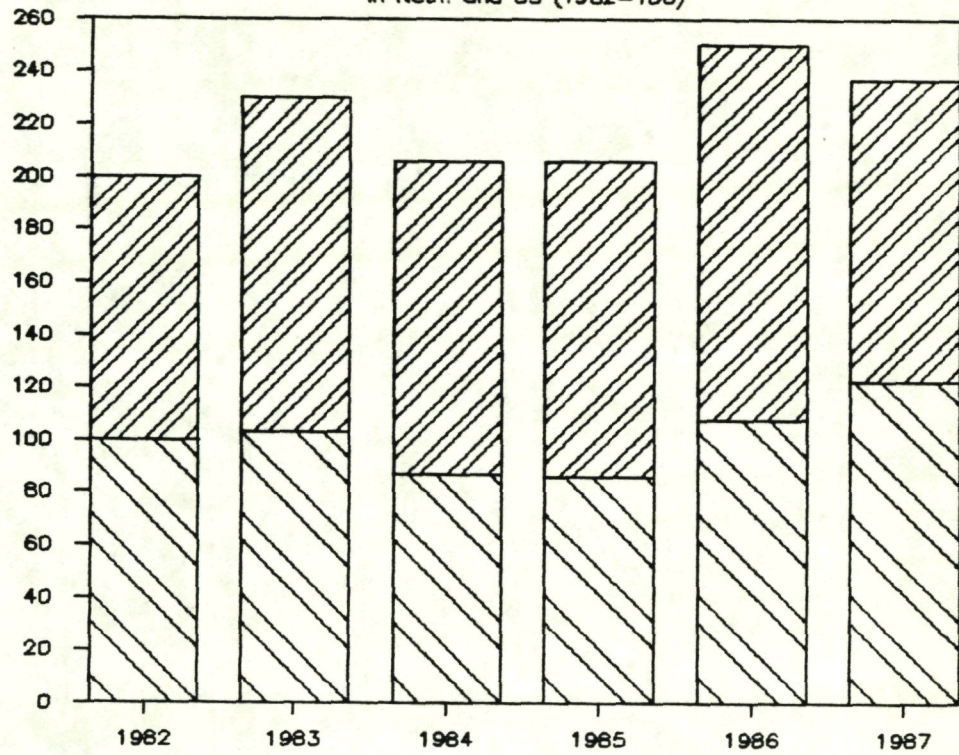
Graphic 2



Graphic 3

OPERATING RESULTS / SALES

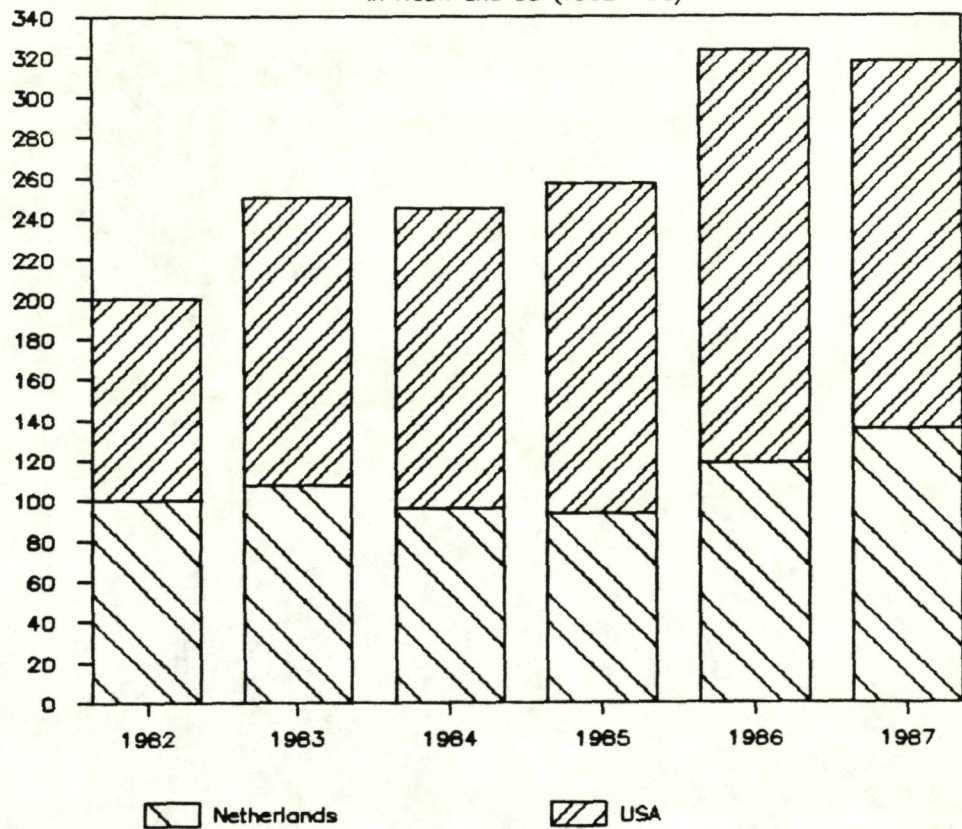
in Neth. and US (1982=100)



Graphic 4

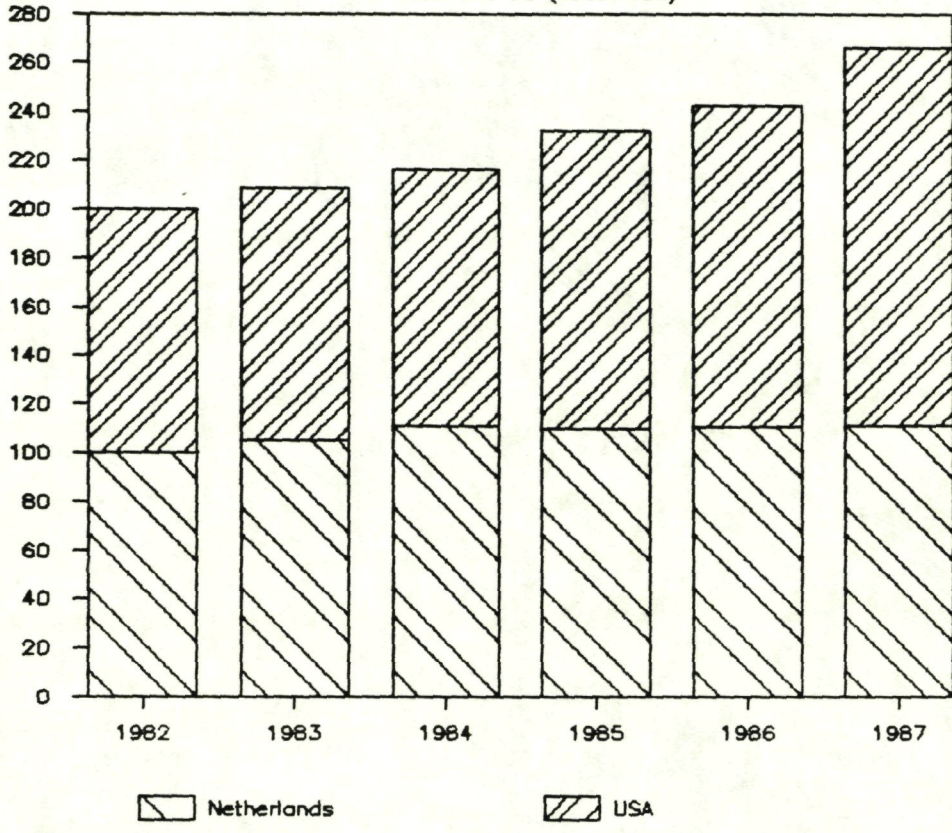
OPERATING RESULTS per FTE

in Neth. and US (1982=100)



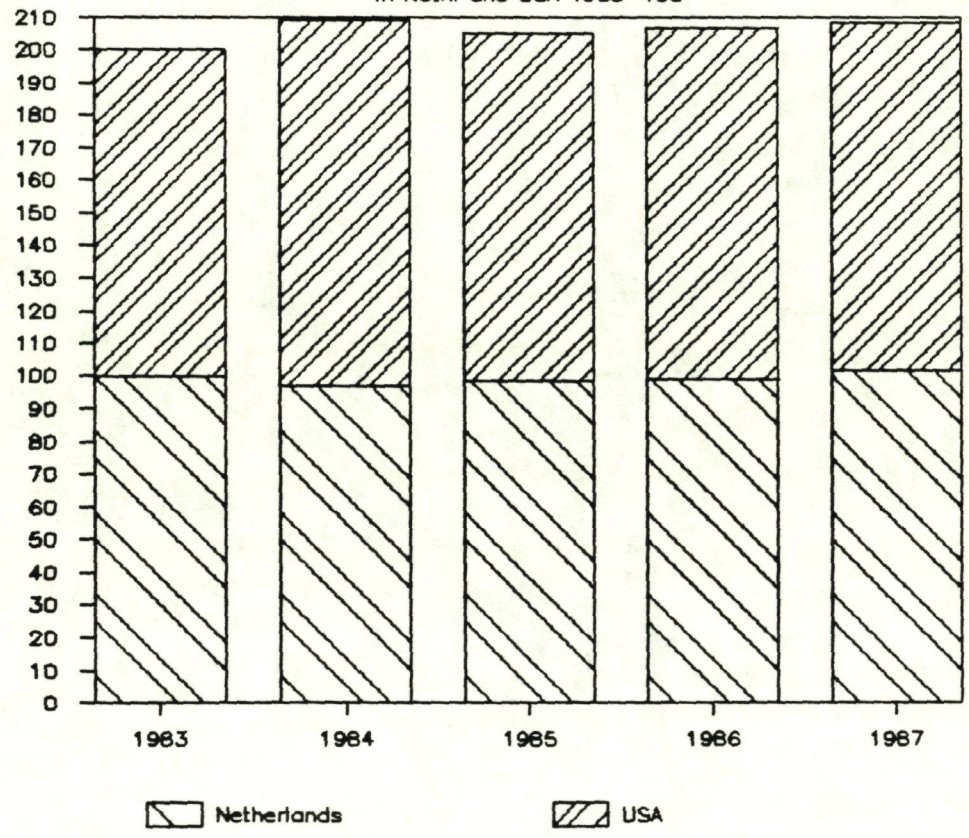
Graphic 5

DEVELOPMENT of SALES per FTE
in Neth. and US (1982=100)



Graphic 6

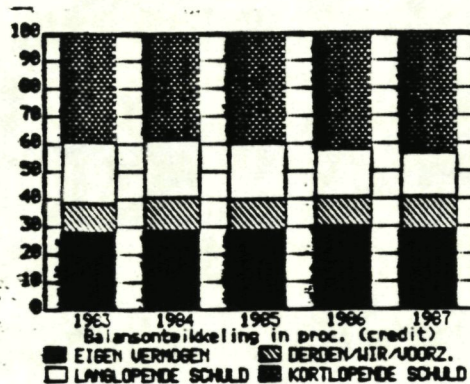
DEV. of SALARIE per FTE
in Neth. and USA 1983=100



Is Ahold a financially sound Business?

To answer this question we will take a look at the balance position of the company. Graphic 7 shows the four components of the debit side of the balance. These four components are the financial base of the company. They are: their own capital; some provisions; the short term debt and the long term debt. The relation between their own capital (possibly including the provisions) and the debt capital is stable and sound, in the face of a remarkable increase of the balance total from Dfl 1,998 million in 1982 to Dfl 3,040 million in 1987. That means among other things that the large investments, including acquisitions are financed in a sound proportion by the company's own means and by loans. Graphic 8 shows the development of the company's investment and the proportion of the depreciations, by which they are financed. The other part is financed by net results of the company and by loans. This does not mean that the total results were utilized. Note that the part of the results paid towards the shareholders has increased each year from Dfl 22 mln in 1982 to Dfl 35 mln. in 1987 (increase of 64 % over 4 year).

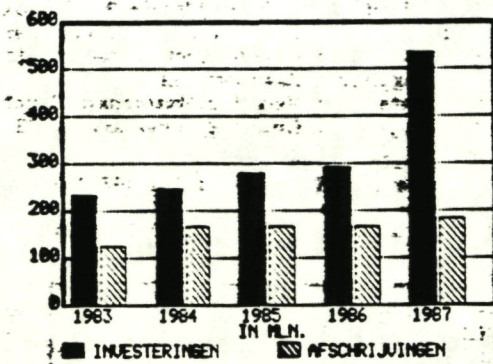
Graphic 7



From top to bottom: short term debt
 long term debt
 provisions
 own capital

(FEL, 1988)

Graphic 8

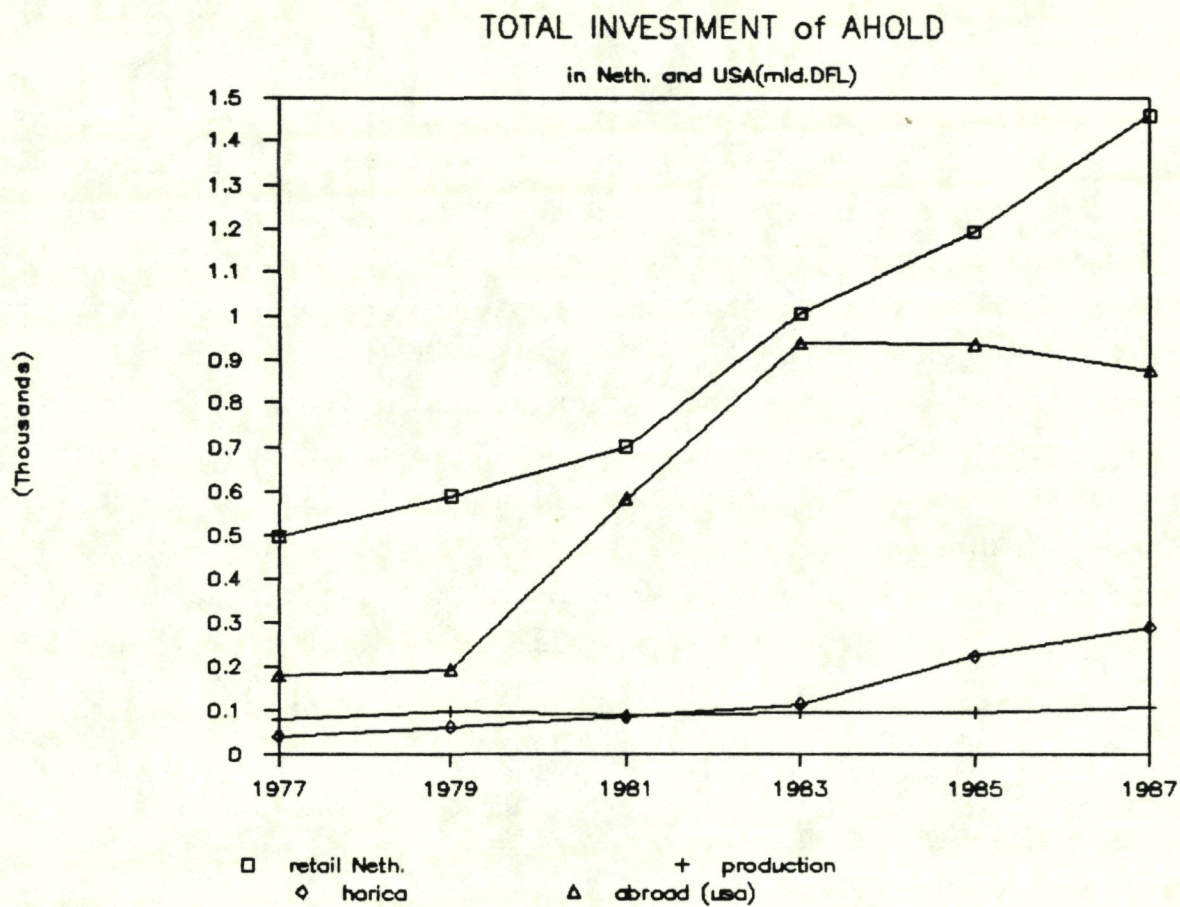


Investments (left) and depreciations (right)
(FEL, 1988)

Based on this we may conclude that the solvability of the company is sound. The same can be said about the liquidity. The acquisition last August of the Schuitema company has influenced the solvability and liquidity of the Ahold company in a negative way. As a consequence of the large loans the costs of interest increased in the second quarter of 1988 to Dfl 22 million (compared to Dfl 7,7 mln in 1987). In spite of this the management of Ahold emphasized that the balance position is still reasonable.

Finally we show in graphic 9 the distribution of the total investments of the company over different activities.

Graphic 9



5. SOCIAL POLICY

In this chapter we will take a look at Ahold's social policy. Due to the availability of information we have to concentrate on The Netherlands (see chapter 3 for some indications of Ahold's social policy in the USA). For the purpose of writing this chapter we held two interviews, one with Mr. Cees Pepermans, negotiator at Ahold for the Service Union FNV, and the other with two members of Ahold's Central Workers Council (COR).

We will start with a short background on labor relations in The Netherlands; as far as is necessary, in order to understand the situation at Ahold (5.1). We will then continue with the main features of Ahold's social policy in The Netherlands (5.2), the relationship between the trade union and the Central Workers Council on the one side and Ahold's management on the other (5.3) and, finally, some labor conflicts (5.4).

5.1. Some background on Dutch labor relations

In the past the trade unions were the one and only negotiating partners of management. There are two big trade unions: the Federatie Nederlandse Vakbeweging (FNV, Federation of Dutch Trade Union Movement) and the Christelijke Nederlandse Vakbeweging (CNV, Christian Dutch Trade Union Movement). The FNV, the most progressive of the two, has almost 1 million members. Associated to the FNV are a dozen of trade unions; the Civil Servants Union (AbvaKabo) and the Industrial Union (Industriebond) are the two biggest FNV-trade unions with both a membership of over 200,000.

The Service Union FNV and the Food Union FNV, which both organize at Ahold, are relatively small unions (resp. 64,000 and 48,000). Especially the retail trade is - traditionally - rather badly organized and Ahold's workers are no exception. In the total retail trade the FNV has about 14,000 members of whom about 1,000 work at Ahold. Nevertheless - because of Ahold's main activities - the Service Union FNV is the most important union

organizing Ahold workers. There are no problems about recognition: even small unions may enter into the negotiations.

Besides these unions there are other ones, organizing staff personnel, negotiating at Ahold as well. Furthermore, some arrangements in the field of labor relations are made for the whole sector, for instance for all retail branch companies, by representatives of both trade unions and employers. So, many issues, are not directly negotiated between the unions and the Ahold management.

Since about 10 years another phenomenon, the Workers Council, became an important factor in Dutch labor relations. A law, the Law on the Workers Councils (WOR = Wet op de Ondernemingsraden), lays down the rules for the Workers Councils. Members of Workers Councils (OR's) are employees of the company and have been chosen by their colleagues to represent them; they may be trade union members or "independents". Because of the WOR employers have to inform the OR "in depth and in time" about important changes within the company. In some cases, for instance acquisition and reorganisation, the employer is obliged to ask the OR for advice. Investments abroad hardly ever fall under the WOR; the OR does not have the right of advice in these cases. At the moment Ahold has twelve Workers Councils (one for every Ahold company with over 35 employees) and one Central Workers Council (COR). The Workers Councils consultate with management on company level and the Central Workers Council on Group level.

At first the trade unions were very much against the OR, but now they have learned to live with them and often co-operate. The collective bargaining is still the domain of the trade unions, but the supervision on the enforcement is more and more a task of the OR. The employers have learned to live with the OR as well and often rather talk to the OR instead of to the trade unions. Ahold managers often describe the (C)OR as an "useful instrument" (see below in this chapter and in chapter 6).

In case of a planned merger the companies are obliged to ask for approval of the SER on ground of its code, and they have to inform the trade unions and OR's concerned. The SER (Sociaal Economische Raad (Social Economic Council), a national body composed of representatives of the state, the employers organisations and the trade unions.

5.2. Ahold's social policy in The Netherlands

5.2.1. The employees

When we take a look at the number of employees we see a steady growth:

44,029 in 1983;
47,052 in 1984;
50,566 in 1985;
55,150 in 1986;
61,217 in 1987.

There are big differences, however, between the total number of employees and the full-time equivalents. Take for example 1987:

61,217 people employed at the year end;
59,070 people employed on average;
37,237 people employed in full-time equivalents (fte);
35,748 people employs in fte on average.

This means a lot of employees have part-time jobs at Ahold. The part-timers are usually women and students.

In The Netherlands employers do not have to pay the legal minimum wage (about Dfl 1990,- gross = ca. Dfl 1450,- net a month) to people who are employed for less than 1/3 of the normal working hours. Ahold says the company nevertheless does pay (at least) the minimum wage to all its workers, including those working only a few hours a week. This is confirmed by both the trade union official and the COR-members.

There is, however, a legal youth minimum wage, which is much lower (esp. for the very young, 16-17 years). Ahold pays these youth minimum wages, too. And Ahold employs many young people (see below).

According to Mr. Cees Pepermans the wages in the retail trade are relatively low. He refers to a speech of Mr. Albert Heijn, held in 1987, in which he complains about the bad image of the retail trade. Mr. Pepermans says a better wage structure would certainly lead to a better image. He thinks the wages Ahold pays may just be enough for one person, but hardly for a family. Even in jobs with some more responsibility (department manager or senior cashier) the wages are rather low: the minimum wage plus a

little bit more. It is hard to motivate people then.

In 1984 an average of 15.9 % of the employees (working 1/3 of normal working hours or more) left the company; in 1985 22.6 %. The rise is partly due to a change in the tax legislation (Tweeverdienerswet: people with small incomes - mainly women! - now have to pay more taxes if their partner has an income as well). But the larger part was due, as the annual report acknowledges, to the fact that the economic situation improved and people could chose other (better paying) jobs. There are big differences between the different divisions: 27.3 % of the employees in the stores left against 6.9 % in the offices and 7.7 % in production.

Absenteeism (because of illness) is lower at Ahold (as a total!) than the national average. Ahold's average as compared with the national one:

6.8 % - 7.5 % in 1983;
6.6 % - 7.2 % in 1984;
6.5 % - 6.9 % in 1985;
6.3 % - 6.8 % in 1986.

In 1987 both remained at about the same level. It is clear that the national average reduced faster than Ahold's. Still Ahold's average is lower. The differences between Ahold's divisions are very big (in 1985 figures):

5.9 % in the stores;
10.8 % in production;
12.3 % in distribution;
14.8 % in the Centralized Butcher's;
4.7 % in the offices.

For later years these figures are not given. The 1987 annual report says, however, that there are still "considerable differences among the various operating companies".

5.2.1.1 Women

Until 1986 Ahold's annual reports mention the number of male and female employees in The Netherlands and the number of hours worked by them (see table 6)

Table 6 Relation female/male employees according to working hours

working hrs	1983		1984		1985		1986	
	W	M	W	M	W	M	W	M
0 -1/3:	24.5	20.0	24.2	19.3	23.3	19.4	23.4	20.7
1/3 -4/5:	12.1	1.8	12.9	2.6	12.5	2.8	11.3	2.3
full-time:	14.5	27.1	13.9	27.1	14.6	27.4	15.7	26.6
total	51.1	48.9	51.0	49.0	50.4	49.6	50.4	49.6

relation in %; W=Women, M=Men

We may conclude that Ahold employs slightly more women than men, and that women mainly work part-time and men full-time.

In leading positions practically no women are found. There are no women in Ahold's Corporate Executive Board, only one in the Supervisory Board, and no female Presidents or Managing Directors, neither in The Netherlands, nor in the USA. Only at branch level a few female managers can be found. In the stores about 96 % of the cashiers are women, however. On instigation of the Central Workers Council (1980/1981) studies on "Women working for Ahold" have been made and some recommendations have been made. The fact that usually men are promoted instead of women has to do with the "prevailing mentality", according one of the reports. A report with recommendations went to all the Group companies, but they have to work out the details themselves. In some of the Ahold companies some improvements have been made, but in general the success is still very limited.

One of the COR members tells that Albert Heijn B.V. improved the arrangements for maternity leave and started some child care facilities. She says that especially the situation of single women is a difficult one. They often have to bear the burden: their married colleagues (both men and women) can take their vacation when their children are free (mid-summer), single women can do temporary work - for instance when pregnant women take their maternity leave - and in outplacement situations the men are sent to the interesting places and the women, esp. the single ones, to the uninteresting places.

Maybe Ahold will be forced to employ more women for other than social reasons. The company has trouble finding managers and now tries to attract women who have stopped working after their marriage or after they have had children, for these posts. In The

Netherlands only very few of these women continue to work or start to work again, but the tide seems to be turning. Mr. Pepermans says diplomatically:

"I do not know why Ahold wants to have more women in senior positions: is it social justice or something else? It is not clear to me. I do know, however, that Ahold thinks married women to be a 'stable factor'."

Its not unthinkable that Ahold tries to take advantage of the fact that women usually are payed low wages: maybe Ahold can attract a female manager for a low wage, but not a male one!

5.2.1.2 Youth

The 1986 annual report says:

"With more than 20,000 employees up to 22 years, Ahold is the biggest private employer of youngsters."

The ages of the Ahold employees in TThe Netherlands are:

- 55.8 % is 15 - 22 years,
- 18.2 % is 23 - 29 years,
- 11.1 % is 30 - 39 years,
- 9.4 % is 40 - 49 years,
- 5.5 % is 50 years and older.

In 1987 the proportion of young people as a percentage of employees continued to rise.

In its 1986 report Ahold complains that it gets harder and harder to attract youngsters, especially in the western, most densely populated part of the country. The reasons: there are less young people and they want to study first. Ahold has shifted its attention from job plans for young people to training facilities. These have been raised 20 % in 1986. In 1987 Ahold spent Dfl 15.2 million on training and education for about 7,600 employees in The Netherlands. Ahold does not only take a look at its "in-house" potential, but has focused its recruitment resources on "promising new university graduates" as well.

Some years ago Ahold experimented with Albert Heijn Youth Branches. In 1982 the first one was opened. All positions, except management, were performed by formerly unemployed youths under 21. Ahold proudly stated at its introduction that it "actually contributes to the fight against unemployment". In later years

more Youth Branches were opened. They met with criticism. Mr. Pepermans says:

"They just could not work, because of demanded qualities for the middle and higher positions."

And one of the COR-members tells us the youths were offered uninteresting labor contracts:

"They were only allowed to work for 28 hours, but they wanted to work 40 hours, because then they would earn more money. After receiving training, most of them left to go to work for one of the competitors."

The project became a failure and Ahold had to abandon it.

5.2.1.3. Minorities

Ahold employs a lot of people from Turkey and Morocco, especially in its food production. There used to be some special programs for them. Ahold gave courses in the Dutch language (50 % in working hours, 50 % in own time), compensated part of the expenses for boarding-houses and payed extra money for vacations to the country of origin.

Recently these arrangements have been withdrawn. The so-called "second generation" (children of the original immigrants, often born and raised in The Netherlands) seems less in need for these arrangements than their parents did. Nowadays there is a good vacation arrangement for all employees: a 6 week-leave is possible now.

5.2.2. Decreasing working hours

In 1983 the most important subject of discussion in the field of labor relations is that employees should work less hours (a day, a week, a month, a year or in a life-time, i.e. stop working at a certain age, e.g. 62 years) in order to create jobs for the unemployed. Ahold says in its annual report:

"... it became clear that - when a company has better results - it is harder to accept that a decreasing working hours must be accompanied by limitations in the individual wages... Finally, Ahold has to keep in pace with the development of the costs in the sector as a result of the

decreasing working hours. If we do not do this, our competitive position will weaken."

Ahold thinks the decreasing working hours may result in more jobs, but says that in many cases overcapacity will be cut first.

The next year Ahold says that the decreasing working hours indeed lead to more jobs in the Ahold Group. The company has now started to connect this issue with that of 'flexibility' of the organisation. Ahold thinks employees will have to earn less money if they work shorter hours, but at the same time the company is not in favour of a sharp decline in the purchasing-power, and therefore Ahold wants a gradual introduction of the decreasing working hours. Many people have warned that a gradual introduction may not lead to more jobs, but to reducing overcapacity and to more work pressure. In 1984 the decreasing working hours was 2.5 % at Ahold against 5 % in the total Dutch economy.

After all divisions were doing 38 hours a week, the working hours were further decreased to 36 in some divisions - especially distribution, Marvelo and Albro - in 1986, but in relation to the flexibility in working hours of the company.

Mr. Pepermans says that he is rather satisfied about the number of new jobs created by the decreasing working hours. In Ahold's distribution centers 70-80 % of the hours that came free were filled by new employees. He does not easily accept the argument of Ahold and many other employers that shortening the working hours is not possible in some, senior positions. He tells that the decreasing working hours is a less important issue nowadays than it used to be.

One of the COR-members says that 80 % of the time was filled by new employees in Ahold's retail branches. The results in the production are less positive: mainly the overcapacity was reduced and temporary workers were employed.

5.3. Trade union and Workers Council vs. Management

5.3.1. Service union FNV

Since 1,5 years Mr. Cees Pepermans is the negotiator of the Service Union FNV at Ahold. For many years he worked as a retail

branch manager for different companies (not for Ahold) himself. He therefore knows the retail trade very well and from different angles. About his negotiations with the Ahold management he says:

"They remain real grocers. Once Mr. Van Dun said to our union vice chairman: your negotiator achieved the limit of what we were prepared to give.

The atmosphere in the retail trade is one of negotiating, not of threatening. I think of myself as a consultative type of trade unionist, not an action type. The Ahold management reacts in a positive way to that attitude."

He says the negotiating atmosphere is usually fine and "agreements are always kept", but he adds: "until now". He says Mr. Albert Heijn, Mr. Gerrit-Jan Heijn and Mr. Peter van Dun together formed Ahold's "social face", but next year only one of them will still be in this position (see chapter 6). He fears a tougher attitude in future and he already has some indications in this direction. The present Corporate Executive Board is already more business-like and tough. He has some mixed feelings about the-President-to-be, Mr. Everaert:

"You hear stories... If you work hard and perform well you are payed well, but if you do not perform as expected you are fired. It is said that he thinks legal protection against unfair dismissals is stupid. But, on the other hand, he says he wants to continue Mr. Albert Heijn's policy. So, we'll just have to wait and see."

The Service Union FNV has been trying for many years to achieve one collective bargaining agreement for all the operating companies of Ahold in The Netherlands, but in vain. Mr. Van Dun bluntly refused it; he says the company cultures differ too much. Mr. Pepermans thinks this is not the case. He is convinced that it would be better to bring at least the secondary labor conditions (pensions, vacation, training, etc) on the same level for every Ahold company. Now the Ahold management proposes two collective bargaining arrangements.

He sees a change in emphasis from the trade unions to the Workers Councils. He knows the Ahold management prefers to talk with its OR's. Mr. Pepermans thinks the consultation between trade unions and Workers Councils ought to be more structured and

more regular. He says the trade union does not work hard enough on establishing and maintaining good working relations with the Workers Councils:

"The trade union still treats the Workers Councils in a stepmotherly fashion."

He says that one of the negotiating results (in the retail) has been a prohibition of zero-hour contracts (an employee waiting until she/he is called up without a guaranteed number of hours of work - and subsequent income). There are, as a minimum, two-hour contracts. An employee who is called up and is not able to come may refuse, officially "without any consequences". But, of course, it is difficult to prove that somebody gets fired or is not called as regular again after having refused to work several times.

Ahold experiments with two evening stores, a relatively new phenomenon in The Netherlands. The trade union is concerned about the labor conditions, because Ahold says the normal working hours have changed from the day-time to the evening and that therefore no extra's have to be payed.

He thinks the growth in franchising does not have to be a bad development, but he wants guarantees that the labor conditions will not be changed when a store is owned first and franchised later. He expects to discuss this - an other matters - very soon with the new Managing Director Social Policy of the Albert Heijn B.V., Mr. Vermeulen.

Some years ago there were many health problems, esp. pain in the back, at the distribution centers. Mr. Peperman's predecessor arranged that people would rotate from time to time and most compaints disappeared. In one of the distribution centers, an old building, the absenteeism rate is still very high: about 18 %. At the moment it is investigated if rebuilding is possible.

Mr. Pepermans has never had to go to the Ahold management, because he had heard rumours about acquisitions. He thinks the unions are usually informed in time in case of acquisitions, except when Ahold bought Schuitema, this year. The unions indicated that this was in violation of the SER code of mergers. In the case of mergers employment is usually guaranteed; sometimes a few people have to be placed elsewhere in the organisation. The same

happens with reorganisations.

At the time Ahold bought FNS the management just announced this and gave the trade unions some information (not the purchasing price) on the company. He thinks Ahold is represented in all those areas in the USA "where money is to be made". Mr. Pepermans understood from his American colleagues that the consultation structure between the management and the employees at the Ahold companies in the USA has not been well arranged. He recognizes that the Dutch trade union situation is much easier than the one in the USA, because in The Netherlands one does not have to struggle for recognition of the trade union:

"When you tell an employer that your trade union represents the workers, no decent one will dare to refuse to negotiate with you."

5.3.2. Workers Councils

There are 13 Workers Councils (OR's) and there is a Central Workers Council (COR) at Ahold. Only 2 of the 15 COR-members and only 6 or 7 of the 25 members of the Workers Council of Albert Heijn B.V. are women. Workers Councils of some of the Ahold companies, especially in production, only have male members, but the Workers Council of Alberto counts 5 women and 4 men.

All the COR-members are also member of an OR. The chairman, vice-chairperson and secretary (a woman!) are almost full-time engaged in their activities for the OR and COR. Most of Ahold's COR-members seem to be trade union members, but they do not form a fraction within the COR. When the (C)OR elections are held, the trade unions step forward with some candidates (members), but on the voting-paper it only says if a candidate is organized or not. The Workers Councils, including the Central one, have the right of information, advice and approval, consultation, appointment and initiative (based upon the Law on the Workers Councils = WOR).

by others. Many members of the COR find it difficult to discuss the more general issues. They did not succeed in getting a good discussion on opening hours of stores, a rather hot topic, because both the Corporate Executive Board and the COR lobbied - with opposite views - in parliament. The CEB wants to obtain more flexibility in opening hours (now 52 hours: 13.00h - 18.00h on Monday and from 9.00h-18.00h from Tuesday to Friday plus from 9.00h-16.00h on Saturday). But the COR and the trade unions are against that, because of the social consequences for the employees. Nowadays it is not an important issue in the consultations anymore, because one OR made its own deal (agreement on labor conditions) with an Ahold manager.

The COR members are worried about the increased franchising. In the first place, because this takes place without workers control (AH Franchising B.V. has only 20-25 employees - it may ask for the services of other Ahold companies - and therefore has no Workers Council). In the second place, because many employees do not immediately understand what the consequences of franchising will be for their labor conditions (usually a deterioration). Franchising has a lot of advantages for the Ahold Group. The franchisees pay quite a bit for the formula. The Albert Heijn supermarkets owned by Ahold have to pay for the overhead costs, the franchisees do not.

Both COR-members are satisfied about the way reorganisation processes are carried out: always without forced dismissals. They think the co-operation between the Workers Councils and the trade unions is fine. The trade unions negotiate about the conditions of a 'Social Plan' and the COR about an extra protocol. The COR has the task to see if the organisational adjustments needed at times of reorganisations, e.g. transferring redundant people to other divisions, are carried out in a good manner. The COR has negotiated that transferred people do not have to travel too long (maximum 1 hour to and 1 hour fro, otherwise compensation).

They say that they are usually satisfied about the amount and quality of the information given in case of acquisitions. The take-over of Schuitema was a blunt exception to that rule. The COR thought it to be too late to claim the right of advice - because everything had already been decided upon -, but wants to

get involved in the execution of the decisions. In general they think the COR could be informed better in an earlier phase than is usually the case now. They can, however, not complain about the last take-over, that of Gall & Gall and Party Shops. The COR received the request for advice on October 4, while the acquisition has to be definitive in January, 1989. This gives the COR ample opportunity for consultation with the unions and the Worker Councils concerned. Probably Ahold has been this co-operative to make it up for the mistake in the Schuitema-case.

The COR does talk with the Ahold management about the American interests, although management is not legally obliged to do so. Especially the financial consequences are discussed, for instance in the case of BI-LO, a company that did not perform well for some time. In January 1988 the COR was informed about the acquisition of FNS. The COR has no right of advice (because it's an acquisition outside The Netherlands), but feels the position of the COR can be drastically changed by these kinds of important acquisitions. In case the foreign interests of a company become more important - with respect to the number of employees (fte's) - than the ones in The Netherlands; an important Dutch law (Structuurwet), which gives the workers e.g. influence on appointments in the Supervisory Board, is no longer applicable. And FNS added about 11,500 fte's to Ahold USA, which now has a total of 25,000 fte's (fte's in the USA and The Netherlands are about 50-50 % now!).

One of the most important issues in the last year or so is the position of the COR itself. Ahold has started a process of restructuring. If this implies that the COR will have to concern itself with Ahold Nederland B.V. instead of Ahold N.V. in future, it would mean a reduction in the possibilities of the COR. The COR would be further away of the centre of decision-making; it would only have consultations with the managers who carry out the decisions. Probably the Ahold management will wait with these changes until the new Workers Councils will be installed (in 1,5 years time).

The decentralisation and integration policy of Ahold are dangerous: an operating company may be tempted to decrease the level of social arrangements in order to be able to show better

results. The Workers Council of that company then has the task to fight this development. The decentralisation policy is leading to more decentralized consultation as well. The influence of the Central Workers Council seems to be decreasing by these policies.

The COR members fear a more business-like approach of the Corporate Executive Board and the rest of the management. Things already develop in this direction. They have the feeling that in case of acquisitions now more risks are taken than in the past. What about Ahold's solvability position, because of the acquisition of Schuitema?

The COR expects more acquisitions:

"Ahold buys companies with a good formula and no money or companies with a good market share and bad management. Whatever Ahold buys, it wants to have - or have a good chance to obtain - a fairly substantial market share. Not only here, but in the USA as well."

5.4. Labor conflicts

In The Netherlands there have only been a few labor conflicts at Ahold and never in the Albert Heijn supermarkets. One member of the COR says:

"This is not because everybody is satisfied. In the retail trade not many people are organized; I think only about 5%."

And the other adds:

"The customer has to get the feeling that Ahold's social policy is okay. This is, of course, a weapon for the workers. And it has been used in the meat production. Without any actions the workers got what they wanted. Of course, the company will try to prevent actions in the stores at all costs."

The only actions that have taken place in the Albert Heijn supermarkets were political campaigns: against the selling of Angolan coffee and South African fruit (see chapter 6.1.1).

Other labor conflicts took place in the meat production, the bakeries and a distribution center. The last one (on the level of

the Workers Council) is about employing temporary workers in the restaurants.

In 1980 the workers of two distribution centers follow the call of the FNV to strike, together with thousands of workers in other companies, against not paying compensation for rises of prices and other measures by the Dutch government, which lead to a substantial loss in purchasing-power. A few hundred workers, including many Turkish ones, of the distribution centers in Zaandam and Tilburg participate for three days. Ahold tries to hire temporary workers as scabs, which infuriates the strikers.

In 1981 a strange situation occurs at AC Restaurants. A collective bargaining agreement had been achieved for all restaurants, but AC does not mind paying its employees in the middle and higher positions a bit extra. The management refuses, however, to negotiate with the Food Union FNV, because it then fears reactions from other employers in the sector. The negotiations therefore take place between the management and some of their employees, who consultate their trade union in the breaks of the meetings! An agreement is reached. Ed Mangel, one of the negotiating employees, a 26 year old assistant manager of an AC restaurant, says:

"I can't see myself on strike. I can't see that happening in the restaurants. Perhaps therefore our sector lags behind ten years in the social sphere. I think it is not necessary to go on strike in a concern as ours. Such a big concern is sensitive to negative publicity. That is enough to bring the managing directors to the table. Certainly in our case."

(Bondig 8-13-'88)

Then there is a conflict in the Bakeries some years ago. New technology and automation are introduced. Albro Tilburg is (then partly, later totally) sold and has to merge with a former competitor. Some people can not stay and the managing directors do not find other, suitable places in the organisation for them; they even speak disdainful and insultingly about these employees. The Workers Council almost agrees that the people have to be dismissed, but a trade union official steps in and succeeds in getting them transferred after all.

A 2-days strike in the meat production (the four Centralized Butcher's) takes place in December 1985. It is a conflict about the introduction of obligatory working on Saturdays and the conclusion of a new collective bargaining agreement. 300 out of 500 employees participate in the strike. The Food Union FNV had already agreed to accept compulsory working on Saturdays, but the workers did not, and therefore the union decides to support the strike. The managing directors have to leave and the measure is withdrawn. Now everything has been settled. There are always enough volunteers for working on Saturday and it is compensated in time off (4 hours work = 1 day off) or extra money. It is only allowed once in every three weeks.

The latest conflict is still not fully solved. A manager wants to employ more flexible workers in the AC restaurants. For this purpose he wants to use the services of an agency. He asks the Workers Council for advice. But later on he appears to have concluded the contract already and when this is discovered he withdraws the request for advice. Now the Workers Council will probably have to follow the procedures very strictly in order to be able to regain its influence.

In the USA labor conflicts, about recognition, have taken place at GFS (see chapter 3). Mr. Tony Schiano, member of the Board of Directors, says in 1985:

"Dear colleagues. We would like to address a problem we discussed before, and that problem is the trade union. As you know, we, of Giant, do not want to have anything to do with them. We are perfectly able to communicate with each other without the involvement of a third party, an outsider. The union wants to tell us what to do? Think about it. What do you know about them? What do you know about their strikes?" (FNV Magazine, Dibo, 8-17-'88)

When Mr. Freek Thomasson, at that moment the chairman of the Service Union FNV, visits the USA; the management of GFS refuses to see him. The same thing happens when Mr. Peter Huegel of the UFCW visits The Netherlands: the Corporate Executive Board is "too busy". Mr. Huegel says only two of the GFS supermarkets were unionized in 1981, when Ahold bought the retail chain. Most other

supermarket chains in Philadelphia are unionized. He says Giant pays just US\$ 4 to a part-timer, while competitors pay US\$ 6,6 an hour. Ahold says he compares wages in the countryside with wages in the city. Furthermore, Ahold claims it spends 15 % of sales on wages, just as the American competitors do: "It's just envy that Giant is cheaper in spite of this."

At both Bi-Lo and GFS the relationship between the managing directors and the trade union seems to be much worse than in The Netherlands. FNS is the only organized Ahold company in the USA. Mr. Bogomolny of FNS says it does not have any negative consequences that his supermarkets are organized, because those of the competitors are organized as well:

"The only thing we do not have is the management flexibility we would have had without the union. But as long as I can remember we have had contact with the unions. We know how to handle them by now." (Flitsen, February 1988)

6 THE PEOPLE AT THE TOP

In this chapter we will take a look at the people at the top. First we will mention their names and then we will describe their other positions in society and their most recent remarks regarding Ahold and its policies.

People at the top of the Koninklijke Ahold NV**Corporate Executive Board***

A. Heijn (President)
P.J. Everaert
F.I. Ahlqvist
P.J. van Dun
C.H. van der Hoeven
R. Zwartendijk

Supervisory Board

J.H. Choufoer (Chairman)

R.F. Meyer
A.J. Kranendonk
J. Kreiken
R.J. Nelissen
Mrs. N. Rempt-Halmmans de Jongh
J.F.A. de Soet
A. Spaander

Th. Baljon (Secretary)
R.L.H. Beijers (Senior Vice
President Consumer Affairs)
C. Sterk (Senior Vice Presi
dent Administration)

* In Ahold's 1987 annual report Mr. Gert Jan Heijn, Mr. Albert Heijn's brother, is still mentioned as one of the members of the Corporate Executive Board. He was, however, kidnapped on September 9, 1987, and murdered, as became clear on April 7, 1988. His kidnapper was arrested when he used part of the ransom to pay for his shoppings in a supermarket. He has been convicted.

See appendix D for the names of the people at the top of the different Ahold companies inside and outside The Netherlands.

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6.1. Members of the Corporate Executive Board

6.1.1. Mr. Albert Heijn

Mr. Albert Heijn is the grandson of the founder of the Ahold Group. He is the face of the company. But in 1989 he will retire. Then - for the first time in its history - the corporation will no longer be led by a Heijn.

Mr. Albert Heijn was born on January 25, 1927. He wanted to become a naval officer, but polio (infantile paralysis) prevented this (he still walks a bit difficult). He attended secondary school (the then existing HBS) and university. At the Economic Faculty of the University of Amsterdam he discovered after two years that he did not want to proceed, because he considered the study to be too theoretical. He went to a business school, Nijenrode, for two years (later he was guest lecturer there himself). He has no academic titles.

At the age of 22 - after the business school and a short training period with Migros in Switzerland and Allied Suppliers in the UK - he began to work for the Ahold corporation (then still Albert Heijn) and received most of his training there. For two years he did all kind of jobs: working in the store, traveling, buying and advertising. Then he became manager Development Self-Service, one year later managing director Marketing, five years later President of Albert Heijn Detailhandelsbedrijf and in 1962 President of the whole Group.

He thinks himself to be a typical child of the Second World War: a socially less engaged generation. He says: "In the first place we thought of our own career." (Van der Vet, p.60) He married a woman (now deceased) who spent a great part of her youth in the USA. People often say Mr. Albert Heijn behaves a little "like an American" himself:

"He could be an American, he is the type of business man one sees much in the Mid-West, in Minneapolis, in Chicago. A robust stature. A cheerful, fleshy face. In words and gestures he is somewhat care-free, sprightly. Behind light spectacles with very big glasses his eyes constantly look at the man opposite to him with the

beginning of a smile. But the smile is - as is often the case with Americans - at the same time a kind of trade-mark: keep smiling - because its good for your image." (Van der Vet, p.57)

He certainly looks at the developments in the USA often. That was the reason he introduced the supermarkets, the self-service system, in The Netherlands, although all his advisers advised against it because of the differences between the American and Dutch public: A Dutch consumer would not serve her/himself. Mr. Albert Heijn persisted and the formula was a success.

Mr. Albert Heijn not only introduced the supermarkets in The Netherlands in the 1950s and 1960s, but he was also the man behind the internationalisation in the 1970s and of the bar code for products (a code containing information about the product, which makes order entry and the like possible) in the 1980s. There were failures as well. He admits them himself. He mentions some examples: the do-it-yourself stores and the co-operation with MacDonalDs.

Mr. Albert Heijn proudly calls himself a 'grocer', although the word has a rather unfavourable meaning in the Dutch language: a 'grocer's mentality' and 'grocer's politics' mean you do not look at a wider context, at society, but that you are only concerned with defending your own, small interests. In interviews he was often asked if he does not feel remorse or guilt when he sees the bankruptcy of so many small grocery stores that could no longer compete with the Albert Heijn supermarkets. He usually answers: "Remorse is not the right word. Compassion, yes." He thinks its an awful thing when it happens to you, but some other old professions have disappeared as well, and: "The good, small grocer's stores still exist."

He is called "a real man of the store". He visits a lot of stores in- and outside The Netherlands. He is usually not very satisfied when he visits one of his own stores:

"Usually its no fun, because I always feel dissatisfied. You see too much. More than the average customer. Meat products which are not of the right colour. Too

many dented cans. Employees who sometimes react rude."(NRC, 7-5-'88)

Albert Heijn supermarkets have faced some political campaigns. In 1972 and 1973 there were picket-lines and calls for a boycott, organized by the Angola Committee, because Albert Heijn continued to sell Angolan coffee (Angola was colonized by the Portugese until 1975). Lateron actions followed against the Albert Heijn stores, because they sold Outspan oranges and fruit in cans from South Africa. These actions were led by respectively the Boycott Outspan Action and the Holland Committee on Southern Africa (the Angola Committee changed its name in HCSA after the independence of the former Portugese colonies).

In all these cases Albert Heijn defended itself first and had to give in later. Mr. Albert Heijn says about the first campaign:

"Well... we take the view that it is not up to us to take political decisions for the customers. We neatly indicate where the products come from and what the price is and then the customer has to decide... We made a beautiful advertisement text in which we mentioned from A to Z the countries where something is wrong in the field of human rights. And we placed the marginal note that we could impossibly decide for all those countries if they are fit as purveyors of our customers. It really was a beautiful advertisement. But well, many were of a different opinion... We faced the question if we ought to maintain our policy and therewith allow that everywhere in the country our people should have to go into discussion. You cannot do a thing like that to all the cashiers and to the branch managers neither. We then decided to abandon our line of policy and to stop selling Angolese coffee. Well, this story has been recorded by, amongst others,

Harvard. They use it as a case study." (FD, 4-15-'88)

In 1985 Ahold denied it was selling South African products. Then the Holland Committee on Southern Africa sent a photo of a South African fruit can of the trade-mark Del Monte found in an Albert

Heijn supermarket, both to Ahold headquarters and a newspaper. The newspaper printed the story under the headline: "Albert Heijn lies". Immediately after this negative publicity Ahold gave in and promised to stop selling South African products.

In an interview about "ethics in business", he says he still thinks honesty to be the most important factor. He says the company culture has changed over the years and that he himself changed a little too. For instance, some years ago he said Albert Heijn supermarkets would never sell pornographic magazines, but now 'Playboy' is sold there. A matter of the "spirit of the time and place", according to Mr. Albert Heijn. He says that the supermarkets started to sell 'Playboy' when that kind of magazines were seen everywhere - in the doctor's waiting-room, in trains, etc. - in The Netherlands, but that it would be "unthinkable" to sell the same magazine in Ahold stores in South-Carolina because of the different culture there. He gives another example:

"Take condoms for instance. That was the kind of product you could only buy - neatly wrapped up - at the druggist's store in the past. Now you can buy them in family packages in our stores. In those things we follow the changes in society. We do not want to pioneer in these sorts of things. I think it is wonderful to be the first with kiwi's, but with condoms..." (FD, 4-15-'86)

Although he is usually described as a "friendly, simple and sober person with a very good memory", he is often said to be paternalistic as well. He says very resolutely: "Yes, now what exactly is paternalistic? I take the view that the boss really is the boss." (Van der Vet, p.69) He denies that this point of view means that he is "therefore" against the right to offer input by the workers. He says:

"We as the Corporate Executive Board are in favour of shared control of the employees - in fields he can judge... I inform the Workers Council at length and in depth about the problems in the business. And I think it to be extremely good when people are prepared to think together with you (NB: meedenken!!) ." (Idem,

p.69)

The first Workers Council had been installed in 1957 by his uncle, Mr. Gerrit Heijn. From that moment onwards consultation became more and more important. For 11 years Mr. Albert Heijn was the chairman of the Central Workers Council, until the Law on the Workers Council (WOR) of 1979 prevented it. He feared polarisation because of that Law, but nowadays he thinks that this did not really happen. On a congress on Workers Councils, organized at Ahold's centennial by its Central Workers Council, he says:

"The Workers Council is a channel of communication in which the communication from top downwards is less important than the other way around. But a good functioning Workers Council means more. It judges the policy in relation to its own criteria, looks with the eyes of the employees at our plans and that often leads to adjustments. This process is in a labor intensive, customer oriented company of utmost importance. A Workers Council that can meet up to this task is worth its weight in gold." (OR-Informatie, 11-10-'87)

Mr. Albert Heijn holds many other positions as well:

- Member of the Supervisory Board of the AMRO-Bank NV (biggest bank in The Netherlands);
- Idem of Reesink NV;
- Member of the General Board of Nijenrode University for Company Studies (Bedrijfskunde);
- Chairman of the Board of the Council for the Retail Trade (Raad voor het Filiaal- en Grootwinkelbedrijf);
- Chairperson of the Board of the Stichting Uniforme Artikel Codering (Foundation for Unified Article Code);
- Member of the Board of the Stiftung im Grüne;
- Member of the Board of the Verbond van Nederlandse Ondernemers (VNO, the most important Dutch employers association);
- Member of the Board of the Vereniging Koninklijke Nederlandse Jaarbeurs (one of the most important congress centers in The Netherlands, situated in Utrecht);
- Member of the Comité voor Handel en Distributie EC (Committee for Trade and Distribution EC);

- Chairman of the Confédération Européenne de Commerce de Détail (European Confederation of Retail Trade);
- Director Food Marketing Institute;
- Chairman of the Internationale Vereniging voor Artikelnummering EAN (International Association for Article Numbers, EAN);
- Chairman Raad van Overleg voor de Handel (Council of Consultation for the Trade).

(Financieel Economisch Lexicon (FEL), 1987)

He often holds speeches - in one of his many positions - and then usually gets good coverage in the Dutch newspapers, because he is Mr. Albert Heijn, one of the most important 'captains of industry' in The Netherlands. He criticizes the government a lot, because its policy has led to a reduction in purchasing-power of large groups in society. This criticism is, of course, not without self-interest. In 1986 he said that recovery of purchasing-power will create at least 70,000 jobs in The Netherlands.

Next year - on September 1, 1989 - Mr. Albert Heijn will retire, after 25 years of presidency of the Corporate Executive Board. He will be 62 then, the standard age for members of the CEB to retire. He will then become a member of the Supervisory Board. Gert Jan Heijn, his younger brother, should have been his successor as President, but his tragic death prevented this. Now the next Ahold President will be Mr. Pierre Jean Everaert.

6.1.2. Mr. P.J. Everaert

Now Mr. P.J. Everaert is only an ordinary member of the Corporate Executive Board, but next year - on September 1, 1989 - he will become its President. He is also President and CEO of Ahold USA Inc., Chairman of the Board of Directors of BI-LO, GFS and FNS and chairman of the Executive Committee of both BI-LO and GFS.

Mr. Pierre Jean Everaert was born at Aalst in Belgium in 1939. Mr. Everaert studied industrial engineering and economy in Leuven (Belgium) and at Akron and Harvard in the USA. His title: candidate for a doctor's degree. He moved to the USA in 1963 and

naturalized to become an American citizen in 1968.

Mr. Everaert has "a lot of international experience", according to a spokesperson of Ahold who announced on July 6, 1988 that he will be the Group's next President. He worked in many different countries and for a number of companies. For 15 years, until 1978, he worked for the tyre producer Goodyear International Corp. in Denmark, the FRG, Puerto Rico, Panama and the USA. In 1973 he became President of Goodyear de Panama and in the next year of Gummiwerke Fulda, which is also a Goodyear subsidiary, in the FRG. In 1978 he became a member of the Corporate Executive Board of Générale Biscuit in Paris, France. One year later he became President of General Biscuits Benelux (=Belgium, Netherlands and Luxembourg) and Parein-de Beukelaar. He worked for a short time in GB's subsidiary at Roosendaal (The Netherlands). In 1983 he became President of General Biscuits of America. He is considered to be an expert in acquisitions and joint-ventures. He initiated - in his various positions - acquisitions and joint ventures in a number of countries, ranging from Japan to Mexico and from Northern-Ireland to Italy. He only started to work for Ahold in 1985; in 1986 he became - the youngest - member of its CEB. He was especially engaged with Ahold's policy in the USA.

In an interview published in August 1988 in the magazine for Ahold employees, "Flitsen", Mr. Everaert says that he thinks the acquisition of FNS - "a success story" -, in which he had a substantial role, must have been an important element in the decision of the Corporate Executive Board to choose him as its next President. He wants to pay more attention to Ahold's long term strategy. About the relation USA - The Netherlands he says:

" That relationship is now practically fifty-fifty. At this moment Ahold in The Netherlands and Ahold USA - without acquisitions - grow about as fast. In the long run the potential in America is, of course, greater, but in Europe expansion will be possible because of its unification in 1992. Ahold is a Dutch company and intends to remain one. We do not have to be ashamed of that. Take a look, for instance, at the four biggest: Shell, Philips, Unilever and Akzo, you are looking at some fine companies then. It is important

for us to realize that the Dutch way of doing business is very much appreciated all over the world. The Dutch are just business men, merchants. Its not without significance that our shares sell good abroad. This way one recognizes that a Dutch means is a good investment." (Flitsen, August 1988)

Mr. Everaert thinks employees are only interested in their own division and not in the company as a whole. He says:

"They do not see the international aspects very well. We are very much an internationalized company, but one does not experience as such." (Idem)

He has some experience with consultation with the workers, esp. with Goodyear in the FRG and with Générale Biscuit in France and the Benelux. His opinion on labor relations in the USA is very resolute:

"In America we do not have those (Central Worker Councils - MS), but there we have the trade unions and those are real fighting parties ("knokpartijen" is almost something as "gang of ruffians"! - MS)." (Idem)

Mr. Everaert says that the people in the USA reacted business like and sober when they heard he would become Ahold's next President. He adds:

"For our people I was a bit 'The Dutchman in the USA' and now I will be the 'ex-USA-boss in Holland.'" (Idem)

In The Netherlands, however, one was rather surprised about his appointment. Some of the headlines: "Belgian American at Ahold's summit level", "Everaert is not a Heijn", "Everaert fits into Ahold's expansion strategy", "Choice indicates international approach". The first article says further: "The appointment of an American at the summit level of a big Dutch company is unique." (FD 7-7-'88). Only one other foreigner is President of a big company in The Netherlands: the Belgian Deleye of Volvo Car.

Mr. D. Swagerman of the Service Union CNV (christian) says the appointment indicates that the investments in the USA may become the most important ones for the Group. He had expected that somebody with more experience in The Netherlands would have been appointed. According to Mr. Cees Pepermans of the Service

Union FNV (the biggest) the appointment indicates a change in mentality. The power goes to people with a more "business like and tougher approach". Mr. Swagerman says that change in mentality is already noticeable in negotiations about labor conditions (NRC 7-6-'88).

Both Mr. Pepermans of the trade union and members of the Central Workers Council think they will just have to wait and see what kind of man Mr. Everaert really is.

6.1.3. Mr. F.I. Ahlqvist

Mr. F.I. Ahlqvist is a member of the Corporate Executive Board and president of Ahold's most important company in The Netherlands: Albert Heijn BV.

Mr. Ahlqvist was born in Sweden in 1937. He is an economist. He established the Dutch branch of the Swedish corporation Mölnlycke.

Recently, in May 1988, he strongly criticized the rigidity of the Dutch agrarian sector. In The Netherlands vegetables and fruit have to be sold by an auction. Ahold would, of course, like to have permission to buy directly from the producers. The company could then pay far lower prices, because of its strong position. Mr. Ahlqvist gives an example:

"If we want to have a bargain-sale of lettuce or cauliflower, the Dutch auctions cannot handle the suddenness of this big demand. The last products we can buy at the auction becomes far too expensive. We then have to turn abroad to be able to let all customers benefit from the bargain." (FD 5-10-'88)

He criticizes the legal rules for the dairy industry and the cattle trade, which prevent farmers from operating on a larger scale, as well:

"Is not it a pity that we have to buy good, tender beef in France, Ireland or the United Kingdom? Dutch cattle owners cannot supply us with large quantities of good quality beef with sufficient continuity." (Idem)

Mr. Ahlqvist's other positions are:

- Member of the Board of Supervisors of the Coöp. Ver. "Centraal Beheer" U.A. (insurances);
 - Member of the Supervisory Board of "Hij" Herenmode (clothing for men);
 - Chairman of Campbell Advisory Board Continental Europe;
 - Member of the Commission for Future Policy of the Landbouwschap (on agrarian policy);
 - Ex-chairman of the Supervisory Board of Van Kempen & Begeer N.V. (silver products).
- (FEL, 1987)

6.1.4. Mr. P.J. van Dun

Mr. Peter van Dun is one of the members of the Corporate Executive Board, Ahold's director Social Policy and director of Bi-Lo, GFS and FNS. He was born in 1938. He is candidate for a doctor's degree.

Mr. Van Dun says in an interview in 1976:

"Promises are promises and that's final." (EW, 9-25-'76).

He says that promises are sometimes made to applicants. He thinks they stand, no matter if they have been made verbally or in writing. He considers them to be a kind of contract. He thinks it would be false economy to break promises: the employees concerned would probably work 20 % less hard than they would have done if the promises would have materialized. He tries not to make promises which are hard to be kept. He makes a lot of agreements in writing, something many other companies are reluctant to do.

At the above mentioned congress on Workers Councils in 1987 he stressed their importance for the company:

"The Workers Council can support the quick-wittedness of a company policy instead of frustrating it... A good operating Workers Council is the incentive a modern company needs. Not only from a social, but also from an economic, point of view... Everywhere the conviction grows that a strongly developed company culture, formed by its employees, is an important factor for success in enterprising. These develop-

ments offer ample chances and opportunities to the OR."

(OR Info, 11-10-'87)

In his concluding remarks he gave his view on the future role of the Workers Council. He said, amongst other things, that the OR is becoming more and more important within the company and that the relationship between the Workers Council and the trade union has to be redefined: the Workers Council will play a bigger role, not in concluding a collective bargaining agreement, but in filling it in.

In 1986 Mr. Van Dun said he was worried about the lagging productivity of Ahold. This year he says:

"I am still worried, although the lagging behind of productivity is partly conscious policy. We chose for offering more service to the customers. And if the number of employees increases faster than sales, productivity decreases. We have accepted that to strengthen our market position."

(Flitsen, April 1988)

Probably this is an explanation for the difference in productivity between Ahold in the USA and in The Netherlands: more service has to be given in The Netherlands in order to maintain and strengthen the market position.

Mr. Cees Pepermans of the Service Union FNV, who negotiates labor conditions with Van Dun, describes him as a "clever, socially moved guy, who does not make a present".

Mr. Van Dun's other positions are:

- Member of the Supervisory Board of N.V. GTI Holding;
- Member of the Supervisory Board of Macintosh N.V. (a Dutch corporation, that used to be strong in clothing);
- Treasurer of the Board of the Stichting Management Studies (Foundation for Management Studies);
- Ex-member of the Board of the Nederlandse Vereniging voor Arbeids- en Organisatiepsychologie (Dutch Association for Labor and Organisation Psychology).

(FEL, 1987)

6.1.5. Mr. C.H. van der Hoeven

Mr. C.H. van der Hoeven is a member of the CEB since 1985 and in charge of Ahold's financial policy, Treasurer and Director of BI-LO, GFS and FNS.

Mr. van der Hoeven was born in 1947. He is candidate for a doctor's degree. He has worked as a member of the Board of Directors of Shell Petroleum in Oman.

He has been deeply involved in the acquisition of FNS. Some may have thought he would become Ahold's new President, but probably the CEB blamed him for the fact it took so many years to realize a new acquisition in the USA. "Crown it all", he says about the acquisition of FNS. He seems to consider it chiefly as his own achievement, as does Mr. Everaert, too! (see chapter 3.1.3. for some quotations).

6.1.6. Mr. R. Zwartendijk

Mr. Rob Zwartendijk is a member of the CEB since 1981 and both President of Ahold Food Production and of the Restaurant, Institutional and Recreational Activities of Ahold. He was born in 1939. He began to work for Ahold in 1977. Before that time he worked for 4,5 years for Unilever, 2 years for Polaroid and 8 years for Mölnlycke.

He likes to talk about "product affinity". He thinks every entrepreneur with some self-respect needs that. For a President of a food company, however, this is quite difficult. You cannot demand that he really buys everything in his own stores. In 1985 he tells in an interview:

"When your are shopping with your wife it is possible that she suggests to buy something in a Spar store, because the spaghetti tastes better there. You think that's strange, because Albert Heijn likes to boast of its large assortment. But, okay, you follow her, because she agrees to do the rest of the shopping in our "own" Albert Heijn supermarket. In spite of that she notices your reluctance and proposes to do all the shoppings at the Spar store. That is enough for you

and you run off angry." (NRC, 9-8-'84; De stijl van de leider, 1985)

He thinks the company needs people who like to do things more than philosophers:

"Our managers have to be interested in motivating people. They have to be interested in people... He has to solve problems... in fact we only look for managers with high marks... I prefer people from within the company." (Idem) These remarks are similar to those of Mr. Albert Heijn, who always emphasises that you have to "like people", when you are working in the retail trade business.

He wants to stop with business that does not go right and to continue with the rest. In 1984/85 he thought AC restaurants to be a challenge (losses around 1983, afterwards better results). He thinks price and quality are important to the customers, as well as new products. Only one out of seven new products make it, however. Mr. Zwartendijk thinks you should not hesitate to stop with new products that sell badly:

"Cut your losses, next product." (Idem)

6.2. Members of the Supervisory Board

Its Chairman is Mr. J.H. Choufour, born in 1926, an engineer. He made his career working for the Royal/Dutch Shell. When the appointment of Mr. Everaert was made public, Mr. Choufour said that the Corporate Executive Council will be consisting of 5 persons from September 1, 1988 onwards.

Mr. Choufour's other positions are:

- Member of the Supervisory Board of Kon. Ned. Hoogovens en Staalfabrieken N.V. (blast furnaces);
- Member of the Supervisory Board of the N.V. Kon. Ned. Petroleum Maatschappij (Shell);
- Member of the Supervisory Board of the NMB B.V. (an important Dutch bank);

- Chairman of the Supervisory Board of Pakhoed Holding N.V. (transport);
- Chairman of the Board of the Koninklijk Instituut voor de Tropen (Royal Institute for the Tropics);
- Ex-member of the Group Directors of the Royal/Dutch Shell Group;
- Ex-member of the Managing Directors of the Kon. Ned. Petroleum Mij (Shell);
- Ex-chairman of the Supervisory Board of Shell Nederland B.V. (FEL, 1987)

Mr. R.F. Meyer was born in The Netherlands in 1933, but he has lived in the USA since 1950. He is professor in business economics at Harvard Business School in Boston. He has been a manager of Arthur D. Little Inc. for ten years, vice dean at the French institute Insead and member of the 'President's Space Task Force' (1969). He succeeded Mr. Van 't Hull (see below) on May 3, 1988 and is called "the American". He already visited FNS and wants to pay a visit to the other Ahold companies as well. He has contacts on governmental level, in banking and advisory agencies in the USA. He expects to discuss Ahold's American interests with Mr. Everaert in future. (Flitsen, June 1988).

Because he only left very recently we give some information about Mr. G. van 't Hull as well. He was Vice Chairman of Ahold's Supervisory Board until May, 1988 (retired). He was born in 1916 and studied law (holds a degree). He has been active in local politics for the Partij van de Arbeid (PvdA), the Dutch Labor Party.

Mr. Van 't Hull's other positions are:

- Chairman of the Supervisory Board of the Amsterdamse Mij. tot Stadsherstel N.V. (city renovation);
- Member of the Supervisory Board of B.V. Adviesbureau Van de Meeberg en Voorhoeve (advice agency);
- Ex-member of the municipality council of Amsterdam for the PvdA;
- Ex-alderman of the municipality of Amsterdam for the PvdA;
- Ex-member of the Supervisory Board of the Algemene Bank Nederland N.V. (one of the two biggest Dutch banks);

- Ex-member of the Supervisory Board of Bruynzeel B.V.;
 - Ex-member of the Supervisory Board of the Verenigde machinefabrieken Stork N.V. (engineering works).
- (FEL, 1987)

Mr. A.J. Kranendonk was born in 1930; he has the academic title of engineer. His other positions:

- Chairman of the Board of Directors of Coöp. Condensfabriek "Friesland" W.A.;
 - Member of the Supervisory Board of Johson Wax Nederland B.V.;
 - Member of the Supervisory Board of De Nederlandsche Bank N.V. (the Dutch central bank);
 - Member of the Supervisory Board of Riva (trade-mark: Opel);
 - Chairman of the Supervisory Board of Roelfsema Beheer B.V.;
 - Member of the Supervisory Board of C.V. Export-, Import- en Investeringsgaranties (import-, export- and investment guarantees);
 - Chairman of the Kamer van Koophandel for Friesland (Chamber of Industries in one of the northern provinces);
 - Member of the Board of the Kon. Zuivelbond FNZ (dairy);
 - Ex-managing director of Halbertsma B.V.;
 - Ex-member of the Supervisory Board of Amels B.V.;
 - Ex-member of the Daily Board of the Verbond van Nederlandse Ondernemingen (VNO, the most important Dutch employers organization).
- (FEL, 1987)

Mr. J. Kreiken was born in 1925. He holds an academic title (doctor).

Mr. R.J. Nelissen was born in 1931; he holds a law degree. He is best known for his political career for the KVP, the catholic party, which is now integrated in the CDA (Christian democrats). He made it to Vice Prime Minister.

Mr. R.J. Nelissen's other positions:

- President of the Corporate Executive Board of the Amsterdam-Rotterdam Bank N.V. (AMRO, the biggest Dutch bank);
- Chairman of the Supervisory Board of H. Drijfhout & Zoon's

- Edelmetaalbedrijven B.V. (precious metals);
- Member of the Supervisory Board of Person, Heldring & Pierson N.V. (an AMRO subsidiary);
 - Chairman of the Supervisory Board of N.V. Luchthaven Schiphol (airport);
 - Chairman of the Supervisory Board of Zanen-Verstoep N.V.;
 - Member of the College van Overleg Gezamenlijke Banken (consultation group of banks);
 - Member of the Corporate Executive Board of ICC Nederland;
 - Chairman of the Board of the Nederlandse Bankiersvereniging (association of bankers);
 - Ex-member of parliament for the KVP, ex-minister of Economic Affairs (1970-1971), ex-Vice Prime Minister and minister of Finance (1971-1973) and vice member of the Council of Europe;
 - Ex-member of the Fédération Bancaire de la Communauté Européenne;
 - Ex-member of the Board of the Vereniging voor de Effectenhandel (stocks);
 - Ex-member of the Supervisory Board of H. Berghaus B.V. (clothing, furniture);
 - And some other positions.
- (FEL, 1987)

Mrs. N. Rempt-Halmmans de Jongh is the only woman in Ahold's summit. She was born in 1927; her title: candidate for a doctor's degree. She is still active in politics for the so-called liberals (in reality conservatives) of the VVD.

Her other positions:

- Member of parliament for the VVD;
- Member of the Council of Advice of the Open University;
- Ex-member of the Stuurgroep Brede Maatschappelijke Discussie Energiebeleid (steering-group energy policy: the Dutch people said they did not want to have more nuclear energy plants);
- Ex-chairwoman of the Nederlandse Vrouwenraad (Women's Council).

Mr. J.F.A. de Soet was born in 1925; he holds a law degree. He is known for his positions within the KLM, the Dutch air line company, where he works since 1961. His positions are:

- President of the Board of Directors of the Koninklijke Luchtvaart Maatschappij N.V. (KLM);
 - Member of the Supervisory Board of Abemy Holding B.V.;
 - Member of the Advisory Council of the Algemene Bank Nederland N.V.;
 - Member of the Supervisory Board of Grontmij N.V.;
 - Chairman of the Supervisory Board of Holland International Travel Group v.o.f.;
 - Member of the Supervisory Board of Martinair Holland B.V. (air line company);
 - Member of the Supervisory Board of Naco B.V.;
 - Member of the Supervisory Board of the Koninklijke Wessanen N.V.;
 - Member of the Interdepartementale Commissie inzake Burgerluchtaangelegenheden (State Commission on Civil Airline Policies);
 - Ex-product manager of Unilever;
 - Ex-marketing director of Tomado;
 - Ex-member of the Supervisory Board of Marcel Muyres B.V.;
 - Ex-member of the College of Supervisories of the Nederlandse Bureau voor Toerisme (Dutch Office for Tourism).
- (FEL, 1987)

Mr. A. Spaander was born in 1927; he is a candidate for a doctor's degree. His other position:

- Ex-President of the Corporate Executive Board of the Samas Groep N.V.
- (FEL, 1987)

7. CONCLUSION: AHOLD'S FORMULA

In this chapter we take a look at the characteristics, as we see them, of the Royal Ahold NV. At the same time this may be read as a kind of summary and conclusion.

Formula

Ahold performs a lot of market research. The company follows scrupulously what the developments in the sector are, how the attitude of the consumer changes, etc. The company, therefore, often adjusts its formula.

In a book on marketing (Top Cases uit de Nederlandse Marketing) the changes in Albert Heijn's formula are analysed. At the beginning of the 1980s it became clear that Albert Heijn faced problems regarding both its sales volume and its market share. The company, therefore, structural lowered the price of its daily groceries in 1981. The assortment was adjusted: cheap labels were introduced to compete with the discounters, besides these there were private label products in the middle segment ('value for money') and expensive label products as well. Because these changes were expensive the company had to take measures to reduce the costs and to increase the efficiency at the same time. The lines of communication were shortened, a regional distribution system was introduced and the process of automation was speeded up. These adjustments led to a good result.

Ahold knows that it has a good formula for its Albert Heijn stores and began to sell it to franchisees. The next step to be expected in The Netherlands is the move towards bigger shops à la USA. But will it be possible to set them up here? There is not so much space free in the old towns and the authorities are often not in favour of these plans.

Ahold is not only working on its Albert Heijn formula, but also on those of its other operating companies in The Netherlands and abroad. Especially Bi-Lo's formula has been adjusted several times in order to improve the results. This led to mixed feelings. Some say, for instance, that private labels (introduced at Bi-Lo) are fine for The Netherlands, but not for the USA,

"because the Americans only trust the well-known labels they see in commercials on television all the time".

Decentralisation and integration

Decentralisation and integration are the magical words at the moment. Ahold had to come to this policy, because of its adjustment of the formula's. For management it's a matter of efficiency. The distribution centers and the logistics system, always getting much of Ahold's attention, play an important role in these processes.

You get the feeling that especially the tasks are being decentralised, but the decision-making power hardly. The decentralisation process may lead to some problems for the trade unions and the Central Workers Council. They have to decentralise their activities as well and may find it difficult to keep a view on the total Group.

To decrease costs Ahold is integrating many divisions and companies as well. The most important intergation process in the past has been that of the organisation of Simon de Wit into the one of Ahold. Recently the Miro has been integrated. The new alcoholic beverage stores are going to be integrated with those of Alberto as well. Ahold often buys - or starts - companies first to integrate them a few years later. Will that be the future prospect for Schuitema, too?

Experiments

When Ahold has a new idea - in most cases based on research -, the company usually not just introduces it, but starts to experiment with it first. Examples are: the introduction of the supermarket concept in The Netherlands (success), hypermarkets (failed), the Youth Branches of Albert Heijn (failed), AH Extra's (kind of warehouse formula - failed), Etos Beauty Shops (success), 'free-flow' system in AC restaurants (success), franchising (success), bake-off departments (success), super-supermarket in Tilburg (its too recent to form an opinion), the evening stores in Rotterdam (idem)

This seems to be a prudent policy. In most cases - not in all! - the failure was discovered in time.

Lobby

Ahold certainly knows how to lobby. Ahold's members of the Corporate Executive Board and of the Supervisory Board have many valuable contacts. They are members of many committees.

Ahold lobbied for instance to prevent that a law was changed in The Netherlands, which would have meant that sherry could no longer be sold in supermarkets. Ahold was against that law, because most sherry in The Netherlands is sold by the Albert Heijn supermarkets.

Mr. Albert Heijn tells Ahold is lobbying at the level of the European Community as well, because the changes in 1992 will have, of course, important implications for the retail trade (and other business). He is against protectionism and says that its "paternalistic" of states that they want to determine which products the consumers can buy. He thinks many food producers are protectionistic as well. He says Ahold wants to expand in Europe "with or without 1992". (Flitsen, June 1988)

Diversification

Ahold is really not a very diversified company. Compare it for instance with Vendex International, the parent company of Edah (the number two in supermarkets in The Netherlands), which employs activities in groceries, fish, meat, clothing, furniture, toys, cosmetics, jewelery, cleaning, etc.

Ahold mainly continued in its activity in which its best: retailing in food products. Still, the first diversification took place in 1911: production of food. But the production activities of Ahold are closely related to its main activity, too, as are the restaurants. And the druggist's stores are probably so successful because Ahold takes care of the retail formula. The company looks at weak sectors with prospects (druggist's, chemist's, alcoholic beverage stores). Whatever the company does, it wants at least to get a place in the 'top ten'.

Of course Ahold does not need to produce everything it sells in its own operating companies. Because of its size Ahold is a powerful buying party which is able to force purveyors - both in The Netherlands and the USA - to sell their products at low

prices.

Ahold is expected to sell one of its diversified activities, the vacation centers of Ostara.

Internationalisation

Ahold's first retail adventure abroad, CadaDía, in Spain failed. Probably because the company started these well-known activities in a not so well-known environment.

Ahold's investments in - already existing - retail chains in the USA are successful. Ahold's activities are now - after the acquisition of FNS - almost spread fifty-fifty over the USA and The Netherlands. It is not unthinkable that Ahold is going to expand even further in the USA. When Mr. Everaert was asked if Ahold is going to buy a fourth retail chain, he said:

"If I were to answer: now we stop, then Ahold's spirit of creation, innovation and growth would be buried. In the spirit of our future development, of the Ahold of tomorrow, I say: welcome FNS, welcome number three... where is number four?" (Flitsen, January 1988)

Ahold has become a really internationalised company and is expected to buy more retail companies - because of the unification processes in the first place - in Europe. Perhaps in the FRG, now the UK supermarkets seem to be too expensive?

Financial position

Ahold is a healthy company with regard to its financial position. The results increased significantly over the years. Many acquisitions can be payed from its own means.

The productivity of the company increases more than the wages of its employees.

Social Policy

Ahold pays its employees in both The Netherlands and (especially) the USA certainly not better than other employers. In its social policy the company does not violate the legal rules and tries to walk in line with its competitors. In The Netherlands Ahold seems to have a better social policy than in the USA.

Ahold always says it wants to have motivated, customer

friendly employees. It spends money in 'motivation programs' instead of in paying higher wages.

Training of the employees is an important issue for Ahold everywhere it operates. The training and education of Ahold is, of course, for the larger part in its own interest. Ahold needs managers.

In the field of equal opportunities and affirmative action programs for women Ahold still has a long way to go.

APPENDICES

APPENDIX A: A historical overview

This historical overview is primarily based upon Ahold's own history writing.

1887 - 1920

* The 22-year old Mr. Albert Heijn takes over the grocery shop of his father in Oostzaan. The wooden store's surface is only 12 square meters. Mrs. Heijn serves the customers and Mr. Heijn takes care of the buying and selling. Later Albert Heijn moves to Zaandam.

* AH starts two bakeries.

1920 - 1940

* The firm becomes a Limited (Naamloze Vennootschap = NV).

* AH NV buys a restaurant in Amsterdam.

* AH NV starts a cocoa and chocolate factory.

* There are 107 branches in 1927.

* The factory expands with a sugar bakery, a packing department for coffee and tea and an expedition department.

* The company starts a new factory to bake bread, almond pastry and biscuits.

* AH NV buys a small milk factory in Amsterdam, which later becomes a dairy producer, Sterovita.

1939/40 - 1945

* Ahold does not seem to like to be remembered at the period of the Second World War and the German occupation of The Netherlands. Fact is that the company did not close down.

* Willem Hogendoorn, the author of "From Father to Son. Dutch family companies" (in Dutch), writes rather apologetically: "Just as during the world crisis, be it slightly less, the company flourished under oppression, and, what is more important, without willingly co-operating with the German war industry. In spite of it there was a certain degree of cooperation with the occupation army. Not only because it was ordained, but especially, too, because it was the only way for the company to get its supplies. Necessary supplies to produce foodstuffs. For the Germans, but especially for the hungry Dutch, for the resistance and, later, for the Internal Military Forces" (p.22)

* The company writes: "In spite of the war years the number of branches increased with 21 tot 252."

1945 -1970

* AH becomes an open Limited (NV). The shares are priced at the stock exchange in Amsterdam.

* AH buys the retail chain Van Amerongen (92 branches) and 65 branches become AH stores.

* AH starts chains of self-service stores and supermarkets.

* A system of client debenture-loans ties the customers to the company. Later the Premium-of-the-Month Club is introduced, which is the talk of the day. This system allows customers to buy consumer durables, like refrigerators, with discount. Ten thousands of Dutch buy a refrigerator.

* AH builds a new, modern factory building of 40.000 sq. meters (the old one was 4500 sq.m).

- * AH starts to co-operate with an Amsterdam bread factory, Gebr. (=Bros) Hoeve, which has over 30 shops and 350 employees. Because of this new relationship AH is able to deliver new bread twice a day in the AH-stores.
- * A new milk factory of Sterovita near Rotterdam is opened. At that moment it is the most automatised one in Western Europe. Later Sterovita is sold.
- * The supply of goods for the branches is being centralised in the distribution center in Zaandam.
- * Headquarters gets a computer in 1965.
- * The bread and almond pastry factory is enlarged and modernised.
- * Employees shares are issued. The Central Workers Council is established. AH employs its 10,000th employee in 1969.
- * Alberto, the chain of alcoholic beverage stores, starts.

1970 - 1988

- * The self-service-warehouses of Miro (100 % AH) are opened under the name Miro-hypermarkt. They were later changed into Miro Centers and finally integrated in the Albert Heijn organisation.
- * AH buys an important competitor: Simon de Wit NV. Simon de Wit NV owns 59 supermarkets and 69 self-service-shops. Plus NV Verbrumar, a subsidiary, which exploits 9 Nettomarkten - a kind of supermarkets, three vacation centers and a number of camping shops. The organisation is integrated in that of the Group ten years later.
- * Ahold NV buys the 42 foodstuff stores and 40 druggist's stores from Etos Cooperatieve Verbruikersvereniging ua. and starts its own chain of druggist's stores on a discount formula.
- * Ahold buys 12 alcoholic beverage stores of the discount formula from Schretlen BV and adds those to the Alberto branches.
- * Ahold España SA (CadaDía) is established in 1976 and sold in 1985.
- * BI-LO, Giant Food Stores and First National Supermarkets in the USA are bought (1977, 1981, 1988).
- * The form of the organisation is changed: the Limited (NV) is divided in more Limiteds, which are juridically independent in 1970. Albert Heijn NV becomes Ahold NV.
- * NV Ceehorn, a real estate subsidiary, issues two debenture-loans, guaranteed by AH. Ahold Internationaal NV issues a debenture-loan of Dfl 100 million primarily in order to finance future acquisitions. There is oversubscription; especially the foreign interest is very big.
- * A new kind of supermarket is opened in Oldenzaal (east): AH Extra. AH Extra sells foodstuffs and an extra large number of non-food products.
- * Marvelo BV (PC) opens a new coffee factory in Zaandam.
- * The department producing chocolate, one of the activities of Marvelo BV, is sold to Koninklijke Fabrieken Verkade BV in Zaandam, one of the last, big, independent chocolate producers in The Netherlands.
- * A few ABC-branches are opened. ABC is a joint project of Albert Heijn, Blokker (household goods) and C&A (clothing).
- * Albert Heijn experimented with Albert Heijn Youth Branches.
- * Ahold buys Kok-Ede BV and its subsidiary Instel BV, two important wholesale companies.
- * Ahold buys James Telesuper in Heemstede, one of the first telesupermarkets in The Netherlands.
- * In 1988 Ahold buys among other things Schuitema, Gall & Gall

and Party Shops in The Netherlands and FNS and some Kroger supermarkets in the USA.

APPENDIX B

	<u>Exchange rates</u>	
	1 US\$ = in Dfl.	1 Dfl. = in US\$
1977	2,4542	0,4074
1978	2,1613	0,4626
1979	2,0061	0,4985
1980	1,9863	0,5035
1981	2,4978	0,4004
1982	2,6728	0,3741
1983	2,8573	0,3500
1984	3,2103	0,3115
1985	3,3172	0,3015
1986	2,4473	0,4086
1987	2,0254	0,4937
1988*	1,9509	0,5123

* average over January - August

Ten-year comparative summary

	1987*	1987	1986	1985	1984	1983	1982	1981**	1980	1979	1978
	\$	Dfl	Dfl	Dfl	Dfl	Dfl	Dfl	Dfl	Dfl	Dfl	Dfl
Consolidated balance sheet (x000)											
Assets											
Current assets	782,446	1,990,797	1,600,561	1,424,328	1,408,299	1,243,063	925,163	943,943	725,079	660,143	627,836
Fixed assets	927,679	1,648,950	1,418,804	1,414,703	1,442,070	1,273,486	1,072,870	941,488	524,952	459,323	422,967
Liabilities and stockholders' equity											
Stockholders' equity	490,621	872,079	899,100	811,537	840,184	698,088	507,271	450,155	393,096	344,535	305,836
Third parties	9,845	17,500	28,005	28,005	33,423	33,423	33,431	33,421	(21)	-	-
Deferred investment credits	55,535	98,713	82,485	70,430	58,236	49,184	39,638	27,966	15,952	9,065	2,075
Subordinated loan	22,504	40,000	45,000	50,000	50,000	50,000	50,000	-	-	-	-
Capital accounts	578,505	1,028,292	1,054,590	959,972	981,843	830,695	630,340	511,542	409,027	353,600	307,911
Provisions	144,353	256,588	244,729	226,865	224,387	203,343	149,318	133,886	100,738	93,693	92,024
Long-term liabilities	255,643	454,406	456,557	511,753	560,016	511,802	362,355	306,361	79,100	82,881	106,791
Short-term liabilities	731,624	1,300,461	1,263,489	1,140,441	1,084,123	970,709	856,020	933,642	661,166	589,292	544,077
Balance sheet total	1,710,125	3,039,747	3,019,365	2,839,031	2,850,369	2,516,549	1,998,033	1,885,431	1,250,031	1,119,466	1,050,803
Consolidated statement of earnings*** (x000)											
Sales, including value added tax	6,575,355	11,687,694	11,403,936	12,100,463	11,112,215	9,810,429	8,730,363	7,065,901	5,821,979	5,324,527	4,939,586
Net sales	6,226,223	11,067,111	10,864,001	11,596,645	10,603,373	9,365,699	-	-	-	-	-
Less:											
Salaries, wages and social charges	766,655	1,362,729	1,279,624	1,340,417	1,222,102	1,121,456	1,027,467	872,574	757,901	697,965	641,391
Depreciation of tangible fixed assets	104,155	185,136	169,323	168,071	167,313	125,523	100,097	77,910	61,563	55,072	51,336
Other expenses	5,580,858	9,919,976	9,736,875	10,394,620	9,540,969	8,387,896	7,463,172	6,000,609	4,912,064	4,480,279	4,146,800
Operating results	123,687	219,853	218,114	197,355	181,831	175,554	139,827	114,808	90,451	91,211	100,059
Financial income and expenditures:											
Income from unconsolidated subsidiaries	809	1,439	1,493	1,274	1,450	1,232	1,012	1,402	5,514	5,054	3,261
Interest received	14,248	25,326	27,108	29,859	29,272	18,864	15,143	15,909	12,487	11,813	7,205
Interest paid	(35,545)	(63,182)	(61,368)	(68,529)	(64,410)	(53,262)	(47,935)	(36,086)	(17,293)	(17,285)	(21,036)
Operating earnings before income taxes	103,199	183,436	185,347	159,959	148,143	142,388	107,847	96,033	91,159	90,793	89,489
Income taxes	(36,369)	(65,002)	(63,551)	(44,233)	(43,089)	(60,489)	(44,113)	(41,651)	(40,898)	(40,591)	(41,030)
Investment credits	7,935	14,106	11,340	9,480	7,673	6,044	5,262	2,910	1,608	740	162
Operating earnings after income taxes	74,565	132,540	133,136	125,206	112,727	87,943	68,996	57,292	51,869	50,942	48,621
Net income from sale of real estate	(5)	(8)	2,470	925	137	1,439	1,266	1,616	-	-	-
Third parties	(742)	(1,319)	(3,240)	(3,632)	(4,233)	(3,564)	(3,395)	(2,985)	(6)	-	-
Net earnings	73,818	131,213	132,366	122,499	108,631	85,818	66,867	55,923	51,863	50,942	48,621
Net income from sale of real estate not available for appropriation	5	8	(2,355)	(925)	(112)	(1,387)	(1,228)	(1,615)	-	-	-
Net earnings available for appropriation	73,823	131,221	130,011	121,574	108,519	84,431	65,639	54,308	51,863	50,942	48,621
Data per common share of Dfl 5 par value****											
Stockholders' equity	23.80	42.30	43.62	44.56	46.75	38.84	34.33	31.24	28.05	25.23	22.79
Earnings	3.57	6.35	6.41	6.71	6.03	4.75	4.51	3.85	3.68	3.71	3.58
Cash flow	8.64	15.36	14.72	16.10	15.49	11.87	11.85	9.64	8.35	8.02	7.71
Dividend											
Total	1.50 + \$0.125	1.27 + \$0.16	1.23 + \$0.14	1.14 + \$0.10	1.14 + \$0.10	1.11	1.32	1.24	1.15	1.06	1.06
Of which in cash	1.50 + \$0.125	1.27 + \$0.16	1.23 + \$0.14	1.14 + \$0.10	1.14 + \$0.10	1.11	0.91	0.85	0.79	0.74	0.74
Number of employees											
Number of employees, at year end		61,217	55,150	50,566	47,052	44,029	43,117	42,038	38,559	37,851	35,478
Number of employees, average		59,070	52,578	49,300	45,104	43,562	42,955	42,863	42,189	41,056	40,056
In full-time equivalents, at year end		37,237	33,619	31,161	23,877	27,237	26,955	25,954	22,863	22,189	21,056
In full-time equivalents, average		35,748	31,943	30,174	27,969	26,875	26,875	26,875	26,875	26,875	26,875

*The dollar figures in this column are translated from the underlying guilder figures for reader convenience at Dfl 1.7775 = \$1
 **As of 1981, restated for the effect of the inclusion of real estate companies (50% subsidiaries) in the consolidation
 ***1987 and 1981: 53 weeks
 ****Adjusted
 GFS as of November 15, 1981

APPENDIX C: TEN YEARS AHOLD'S FIGURES
 Source: Ahold's 1987 annual report.

APPENDIX D: PEOPLE AT THE TOP

Source: Ahold's 1987 annual report.

Koninklijke Ahold nv

Retail Trade The Netherlands

Albert Heijn
E. Ahlqvist, *President*

Executive Vice Presidents
J.G. Andrae, *Operations*
H.E. Bosma, *Administration and Finance*
K. Dorsman, *Sales and Merchandising*
N.J. Visser, *Logistics and Distribution*

Vice Presidents
C.A.W.H.M. van den Broek
H.C.J.M. Castelijns
T.D.H. den Hertog
D. Onrust

Director of Personnel
J. Timmerman

Albert Heijn Franchising
J. Manuel, *Managing Director*

James Telesuper
J.A. Jurg, *Managing Director*

Specialty Stores Ahold

J.B.J.M. Hunfeld, *Managing Director*

Alberto
J.C. 't Hart, *Managing Director*

Esos
C.F. Bosma, *Managing Director*

Ahold Food Production

R. Zwartendijk, *President*
S. Eusman, *Director of Personnel*
Th. N. van Fulpen, *Controller*

Albro Bakkerijen Zwaneburg
T.L. Winkel, *Managing Director*

Marvelo
J.C. Voskamp, *Managing Director*

Meester Wijbe
A.P.M. Elshof, *Managing Director*

Restaurant, Institutional and Recreational Activities

R. Zwartendijk, *President*
S. Eusman, *Director of Personnel*
Th. N. van Fulpen, *Controller*

AC Restaurants (The Netherlands)
E.W. Bezaan, *Managing Director*

AC Restaurants (Belgium/Germany)
R. Ruisch, *Managing Director*

Grootverbruik Ahold (Institutional Sales)
P.J.M. van Stekelenburg, *Managing Director*

Ahold Recreational Activities
A.P.E. Nieuwenhuis, *Managing Director*

VACO
J.H. Kelderman, *Managing Director*

Corporate staff

Vice Presidents

Fiscal Affairs
A. Buitenbois
General Counsel
P.P.J. Buzelaar, Esq.

Management Development and Organization
J.A.A. Cazanietz (as of April 1, 1988)

Public Affairs
A.Th. van Ewijk

Employee Administration
Chr. van Gent

Market Research
L.J. van der Herberg

Construction and Maintenance
A.J. de Lint

Information Systems
M. van Marion

Public Relations
B. Romber

Security
D. S. Roon

Finance
G.A.M. Witteveen

Real Estate
D.P. Zwart

Internal Audit
Open

Ahead Advertising
K.J.L. Alberdingh Thijm, *Managing Director*

Pensioenfonds Ahold
J.W. Brinkhuis, *Managing Director*

Ahold Financieringsmaatschappij, Caracão
(Netherlands Antilles)

Supervisory Board
C.H. van der Hoeven
H.W. Hofland
J.A.G. Jansckbeer
C.W. Stowe

P.J. de Kraker, *Managing Director*

Retail Trade United States

Ahold USA Inc., Morristown, N.J.

Officers
P.J. Everaert, *President and CEO*
J.F. Harber, *Secretary*

BI-LO Inc., Mauldin, S.C.

Board of Directors
P.J. Everaert, *Chairman*
M.J. Collins Jr., *Director*
C.H. van der Hoeven, *Director and Treasurer*
P.J. van Dun, *Director*

Executive Committee
P.J. Everaert, *Chairman*
M.J. Collins Jr., *President and CEO*
R.R. Hough Jr., *Executive Vice President*
Administration and Finance
H. Morningstar, *Executive Vice President*
Distribution, Construction and Real Estate
A.J. Noddle, *Executive Vice President*
Sales and Merchandising
J. Rohaley, *Executive Vice President Operations*
A.J. Schiano, *Executive Vice President*
Human Resources
H. Hunt, *Vice President and Controller*

Giant Food Stores Inc., Carlisle, Pa.

Board of Directors
P.J. Everaert, *Chairman*
N.S. Riso, *Director*
C.H. van der Hoeven, *Director and Treasurer*
P.J. van Dun, *Director*

Executive Committee
P.J. Everaert, *Chairman*
N.S. Riso, *President and CEO*
J.F. Harber, *Vice President Administration and Finance*
R. Hyronimus, *Vice President Sales and Merchandising*
A. Parrott, *Vice President Human Resources*

FNS Holding Company, Inc., Cleveland, Ohio

Board of Directors
P.J. Everaert, *Chairman*
R.J. Bogomolny, *Vice Chairman and Secretary*
R.T. Samuels, *Vice Chairman*
C.H. van der Hoeven, *Director and Treasurer*
P.J. van Dun, *Director*
J.A. Shields, *Director*
J.F. Harber, *Assistant Secretary*
H.S. Burkie, Esq., *Assistant Secretary*

Executive Committee
P.J. Everaert, *President and CEO*
J.F. Harber, *Secretary*

First National Supermarkets, Inc., Cleveland, Ohio

Executive Committee
R.J. Bogomolny, *Chairman and CEO*
R.T. Samuels, *President and COO*
J.A. Shields, *Executive Vice President and President*
Ohio Division
I. Tantleff, *Senior Vice President and President*
Long Island Division
B.L. Weitz, *Senior Vice President and President*
Eastern Division
K.S. Beruker, *Chief Financial Officer and Treasurer*
R.J. Ahlstrom, *Vice President MIS*