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Down to Earth plans new stores

By Andrew Gomes

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The dominant retailer in the local natural-foods market — Down to Earth All Vegetarian Organic and Natural — is expanding in the face of a battered economy and delayed growth by bigger rival Whole Foods Market.

Down to Earth has signed a lease to open a store in Hilo, Hawai'i, in October or November, giving the 32-year-old kama'aina chain five stores on three islands.

The company also anticipates reaching a lease agreement in the next few months to open a store in Central or West O'ahu.

"Customers from under-served parts of the state have been asking us to come to their neighborhoods for years," said Mark Fergusson, company CEO. "We're thrilled to be able to do that now, with an initial focus on the Big Island."

Down to Earth's move represents an execution of an aggressive strategy to go after more customers with enhanced marketing, renovated stores and new stores as Whole Foods, the nation's largest natural- and organic-foods retailer, entered the Hawai'i market last year.

Whole Foods opened its first Hawai'i store in September in Honolulu's Kahala Mall. The company plans to open three more stores — in Kaka'ako and Kailua on O'ahu and Kahului, Maui — though the size of one store was reduced and opening dates of two stores pushed back to next year.

Fergusson said Down to Earth's flagship store in Mo'ili'ili, just about three miles from Whole Foods in Kahala, hasn't felt much of a negative effect from the new competition. He said sales have been down at all Down to Earth stores because of the economy, but the decline hasn't been as bad at the Mo'ili'ili store compared with other stores in the chain, which are in Pearlridge, Kailua and Kahului.

a new emphasis

The offensive stance was taken roughly two years ago, and started with rebranding the company in December 2007 from Down to Earth Natural Foods & Lifestyle to Down to Earth All Vegetarian Organic and Natural.

The name change emphasized that the company sells no meat products, unlike Whole Foods. "It's in our name — all vegetarian."

Down to Earth has been all-vegetarian since it was founded in 1977, but the distinction for many years had been perceived as something not to be emphasized, according to marketing director Frank Santana.

"Until a few years ago, the vegetarian lifestyle was considered on the fringe," he said. "But the needle started to move five to 10 years ago. (The name change) helped people understand who we are and what we do."

Other changes implemented by Down to Earth in its competition plan included hiring Santana as well as a public relations agency, introducing a customer loyalty program, and building a warehouse and corporate office in Halawa Valley that freed up space at the company's stores.

Also, the retailer's flagship store was remodeled a year ago, and there are plans to remodel stores in Kahului and Kailua by early next year.

In Kahului, 3,000 square feet of storage space will be converted to retail space, increasing retail space by one-third. In Kailua, the remodel will expand chilled and frozen sections and upgrade other departments.

not all is rosy

The past two years, however, haven't all been about growth for Down to Earth. In January, the company closed its store in Makawao, Maui, citing the economic slowdown and impact from a crackdown on Valley Isle vacation rentals. The 3,000-square-foot store with 13 employees opened in 1992.

The new Hilo store will employ about 50 people. Fergusson said the store at Waiakea Shopping Center near Wal-Mart was actually a location at which the company considered opening a store in 1996, but lease negotiations didn't pan out. The space at the mall is occupied by Island Naturals, a health food store that's relocating to nearby Hilo Shopping Center.

Island Naturals founder and owner Russell Ruderman is moving out of the 5,500-square-foot space in a move to double the size of his Hilo store. He also has opened two new stores within the past year, in Kailua, Kona, and Kainaliu in South Kona.

Ruderman said it's been a challenging time economically to open new stores, but he's certain they will do well. "We're very happy with the stores," he said. "They've been very well received."

plans have changed

Whole Foods last week reported that national sales for stores open at least one year declined about 2 percent in the 12 weeks ended July 5.

The company opened four stores in the period, three of which were relocations of existing stores. The company also terminated two leases for stores it had previously intended to open in 2012 and 2013.

In Hawai'i, Whole Foods plans to open a 26,366-square-foot store in Kahului early next year. The store previously was expected to open this year. Construction began in November.

Plans for a flagship store in Kaka'ako were scaled back. Initially, the store was slated to be 67,000 square feet and open last year, but was reduced to a 35,000-square-foot store estimated to open early next year.

The biggest store for Whole Foods in Hawai'i is one planned for Kailua, which is slated to be 40,000 square feet and open next year.
