

A FAMILY'S FORTUNES, PART IV

A Look Forward

By Rob Johnson

If you've lived in Arizona any length of time at all, you may have participated in a conversation that went something like this:

You to New Acquaintance: "So, have you lived in Arizona long?"

New Acquaintance: "Yeah, about five years. I'm a native."

The joke, of course, is that things change so rapidly in Arizona that five years' residency is enough to give a person old-timer status compared to more recent arrivals.

It would be hard to imagine anything exemplifying this rapid-change phenomenon better than Bashas'. Even though the company has been around since 1932, so much has changed recently that people who've watched us the past few years probably feel like the "native" in the above scenario: They can say, in all honesty, that they "knew us when."

Over the last decade or so, this company has been the quintessential Arizona success story. Whereas Bashas' began the 1970s with 17 stores and took 20 years to reach 52 stores, from 1990 on the company blew the lid off the box: 40 stores were added by the year 2000, and in the first *two years* of this century's inaugural decade, there have been nearly 40 more. That's a growth curve so steep it makes a black-diamond ski run look flatter than a tortilla.

Throughout our 70th anniversary year, we've been taking a look at this company's past to see how our history has made us what we are today. As we conclude this series, it seems fitting to consider how our identity today will build what we'll be tomorrow. And we probably need look no further than our recent past to guess what lies ahead: Growth. Growth into new communities, growth into new market niches and growth in terms of the sort of company we are.

There are any number of ways one could open a discussion about Bashas' future, but it may be most practical to ask one simple question: "If I went away and came back five or ten years from now, what would I find?" So that's the question we'll seek to answer.

To do so, we'll use Chairman and CEO Eddie Basha's very own crystal ball as our guide. In Part III of "A Family's Fortunes," Eddie spoke of the dreams he had for the future. "I would like to see the absolute continuation of what we're doing," he said. "I want us to maintain our privacy; I'd like to see us continue to add more stores and upgrade existing stores; I'd like us to reinforce our efforts in niche marketing; I'd like us

to keep up our community involvement, and work toward building a better state by taking a leadership role in bringing good industries and good jobs to Arizona.”

With that wish list as our framework, let’s see if the mists will clear a little bit and give us a peek at what’s ahead.

Keeping a Good Thing Going

Let’s face it: There’s a lot that Bashas’ is doing right, so there’s no reason to believe that the future will include wholesale changes in this company’s way of doing business. When Eddie says he’d like to see “the absolute continuation of what we’re doing,” he’s talking about continuity of leadership, continuity of vision, constancy of purpose, and the success that comes with that kind of prolonged stability.

Why are we so stable? One of the great blessings Bashas’ has enjoyed throughout its 70 years is that the torch of leadership has been passed so successfully from generation to generation, with the experience and foresight of one era’s decision makers laying the foundation for the success of the next. That has been by design. As in a relay race when the runner of an upcoming leg increases his pace to match the speed of the runner about to pass him the baton, successive generations of Bashas have spent years alongside their forebears before it was their turn to run alone. This lineage of leadership goes back to the very beginning, when the first Basha stepped ashore in America: Tanuis taught Najeeb, Najeeb taught Ike and Eddie Sr., Ike and Eddie Sr. taught Eddie, who even now works closely with his sons Trey, Ike, Mike and David. Senior Vice President of Real Estate Johnny Basha, son of co-founder Ike Basha, also is a vital part of that lineage.

“I think I can speak for my brothers,” says Edward “Trey” Basha, “when I say that we’re honored, excited and more than a little humbled to be a part of such a great heritage. Bashas’ survived the passing of its founders and has thrived under my father’s leadership. As members of the third generation, we have worked hard and tried to learn all that we could from those that came before in an effort to carry on the great legacy that will be left to us. We have all grown up hearing the stories and understanding the important role played by the early family members and all who joined them in building this company. Personally, I have fond memories of Najeeby and my grandfather, and have been schooled by my great aunts since I was a young boy. Those important lessons have become a part of who we are individually and collectively, and we bring them to work with us each and every day.”

This smooth segue from one era to the next has involved not only Basha family members, but other leaders, too. From the company’s formative years on, key positions have been held by people whose last name wasn’t Basha, and all of those jobs needed successors sooner or later. Eddie recited a short honor roll of some of these storied names in the last issue, pointing out the broad power each had to exercise his or her particular gifts.

President Wayne Manning—one of the people Eddie mentioned—echoes Eddie’s thoughts. “The strength of our future is in maintaining that balance of family and non-family leadership,” says Wayne. “We’re a company of experts—experts, really, at every level and in every discipline that affects our industry, and we have to let these experts do what they do best. Each of our retail divisions is headed by an expert in his or her field, as are the other areas of our operations, whether it’s marketing, merchandising, warehousing, administration, transportation, computer operations, accounting or human resources. And there are experts *behind* those experts—people who, even now, are acquiring the in-depth knowledge and experience to one day assume key leadership positions in this company.”

In fact, actively cultivating expertise will play a major role in ensuring that Bashas’ success endures. In large part, this expertise will come through intensified attention to education. Don Adams, who spent years with Bashas’ at the retail level and later as a divisional vice president, now serves as vice president of training and development, heading the Training and Development Department at the new Training and Leadership Center. Through the TLC, Bashas’ members have the opportunity obtain skills training in specific jobs to enhance their job performance and likelihood of advancement. There are courses in computer software, customer service, Spanish and English, as well as weeklong seminars targeting effective management of our perimeter departments. The TLC also offers continuing education in various fields, conducts the popular Management 101 course and the grueling “FIM SIM,” or Food Industry Management Simulation. Bashas’ also selects students to attend prestigious, intensive grocery industry programs at Cornell and the University of Southern California.

Finally, the TLC helps Bashas’ members who’d like to further their understanding of the food industry—and enhance their career path—through college coursework. The TLC does this by shepherding members to, and through, a couple of different programs: The WAFRC Retail Management Certificate Program, a multi-course community college curriculum developed in a collaborative effort with the Western Association of Food Chains, and the soon-to-be-available Retail Food Management and Marketing Program, a four-year course of study at Arizona State University-East that leads to a Bachelor of Interdisciplinary Studies degree.

With continuity of leadership and an ever-broader base of experts, we won’t merely be keeping a good thing going—we’ll be doing it better than ever.

Maintaining Privacy

To Bashas’, privacy means self-determination. It means an unwavering commitment to doing what we know is right, and being at liberty to accommodate changing conditions when, where and how we choose. In short, it means integrity—undiluted, undistracted wholeness, free of the weight of outside influence or second-guessing about what we’re trying to do.

Privacy means the ability to open stores on the Navajo Nation where none had gone before. It's why we can try new formats in new markets, or tweak old formulas with new ideas. It affords the latitude to launch a successful new Deli program in record time. It even brings the freedom to make a mistake or two, and to learn and grow from them. Privacy means maneuvering in an intensely competitive environment like a speedboat, not like the *Titanic*.

Bashas' has been a privately held company right from the start. It remains so today, and that makes a profound difference in who we are and how we operate. "We're a company of *people*," says Eddie Basha, "managed by members who've come up through the ranks. We're an Arizona company managed by Arizonans and for Arizonans, but we're Arizonans who also have a significant role to play in the community. The community we serve is the community we live in."

That interconnectedness is what makes privacy so important to Eddie. "It all comes down to the difference between being a stakeholder and a stockholder," he says. "What we do isn't for the benefit of someone far away whose only interest in the company is its impact on his portfolio. For us, it's about reading a book to a child, planting a tree or painting a fence. That's *our* bottom line."

Although Eddie does envision a day when Bashas' may offer a "members-only" stock program in which members could buy shares of non-public stock in the company, Bashas' will remain accountable to only two groups of people: its customers and its members. That liberty bodes well for the years to come. Says Wayne, "We don't know what the future holds, but we're in a great position to cope with it."

New and Upgraded Stores

Probably the biggest, splashiest, most obvious sign of Bashas' growth is new stores in places where they weren't before. Growth may manifest itself in a reshuffled structure chart or the introduction of ambitious new programs, but nothing makes a bolder statement than a building.

Whether it's by building a new store from the ground up or converting an existing structure, Bashas' has been growing at a pace of five to six new stores a year—that is, unless you're talking about 2003 and beyond, in which it'll be more like *8-10* stores a year. And that's provided Bashas' doesn't make another major acquisition, which we've done several times in the past decade.

Indeed, despite an aggressive construction schedule, acquisitions accounted for most of the new stores Bashas' added from 1993 to the present. The company acquired Arizona Supermarkets, Inc. in 1993, which brought us seven stores: five Q-Fresh markets (all of which were converted to the Bashas' format) and the first two AJ's Fine Foods stores. The original Food City at 16th Street and Mohave in Phoenix came to Bashas' in 1994 when founder Noah Billings retired and sold. That store went on to spawn an entire

new division. Sixteen former Megafoods became ours in 1996. That was the high water mark for stores acquired in one fell swoop until 2001, when the Food City Division was boosted by 22 former Southwest Supermarkets stores.

No new acquisitions are planned, but then again, none of the aforementioned purchases were planned, either. They were opportunities that virtually walked through the door and had to be either embraced or passed to a competitor.

Efforts to remodel, upgrade and add new features to existing stores also will intensify. At any given time, our construction schedule may list upwards of two dozen existing stores targeted for some sort of work, and that list will get longer as our newest stores, with so many built-in amenities, stand more and more in contrast with our older locations. In some instances, an older store may even be closed and replaced with a newer store in the same neighborhood. Some stores may switch formats as the neighborhoods around them change. At other stores, gas stations, Rice Garden Chinese restaurants, Cub Houses, pharmacies and other new features are all possibilities.

What else might a time traveler find were he or she to step a few years into the future? Not just new stores, but new twists on old ideas. What's more, it's entirely possible—likely, even—that the Bashas' of the future will have stores beyond our state's borders. Not just in Needles, California and Crownpoint, New Mexico, but even further away. How will that happen? Two words: niche marketing.

Finding Our Niche

We don't live in a one-size-fits-all society. Evidence of this truth is all around us, and will be even more abundant in the future. This is where niche, or targeted, marketing comes into play.

Decades ago, there were only three television networks. Most radio stations had similar formats and played the same top 40 tunes. Major retailers competed with one another, but by and large, they sold many of the same things. Homogeneity reigned.

But we're not a homogenous society, and nowhere is that truer than in Arizona. A border state with a sizeable Hispanic population, Arizona also is home to vast Native American reservations, bustling metropolitan centers, huge retirement communities, quaint rural towns and a topography that's even more diverse than its people. And just as television, radio and retail executives figured out there was opportunity in adapting their products and services to specific populations, Bashas' was learning the same lesson.

Bashas' has experienced a great deal of success in creating retail store formats that acknowledge Arizona's diversity, and there'll be even more emphasis on niche marketing down the road. The burgeoning Food City division, which now composes nearly half of our chain (and may one day outstrip the Bashas' division), is the prime example of the success of this strategy. Bashas' Diné, AJ's Fine Foods and Eddie's

Country Store also validate the concept of designing a store to meet the specific needs of a target market, and these various formats enhance our ability to put the right store in the right community, with greater assurance of its success.

Says Property Manager Mariane Owan, a member of the Store Development Strategy Committee, “We identify needs in neighborhoods and put the right store format there. And because of the kind of company we are, we can identify and react better than others.”

Perhaps the most intriguing way that this company will accommodate differing neighborhoods isn't by choosing from among its existing retail formats, but by adapting, or altering, those formats. “We're going to emphasize diversity not only *by* format, but *within* format,” says Mariane.

What might that mean? According to Johnny Basha, it could mean putting a scaled-down, 15,000 square foot “starter Bashas” in a small, growing community that isn't yet ready for a big supermarket, but which nevertheless needs a grocery store—a store that could later be replaced by a bigger Bashas', after we've cultivated a loyal customer base. It also could mean developing a “petite AJ's,” about the size of a drugstore, that could fit in a downtown business district or an upscale master-planned community.

“One of Bashas' biggest assets,” says Johnny, “is our ability to be diverse and flexible in designing a food store to meet the needs of the community—not only from a merchandising point of view, but from a physical point of view.” That means that the stores we know so well, in the future, may have the flexibility to look different, feel different and be sized differently, depending on the application.

It's this growing capability to find the right tool for the job that is pointing, more and more, toward locating stores farther afield. “There are opportunities in neighboring states for niche marketing,” says Johnny. “We're considering and evaluating both AJ's and Food City stores for Las Vegas, and an AJ's for Palm Springs. These specialized formats enhance our opportunities in all kinds of places. For instance, I can see us looking at Santa Fe, New Mexico, or Aspen, Colorado within the next few years.”

Eying such far-away locales for future stores doesn't worry Johnny, he says, because he's highly confident that Bashas' has the people to make such dreams come true. And it's not just that our members will help with our growth, it's that growth will help our members. That conviction has Johnny excited about the years to come.

“I love Bashas' because of the people that make up our company,” says Johnny, “and it's hard to express in words the motivation to do my job that I get from being around our people. The only negative of my job is that it doesn't give me more time to be with our members out in the stores. But when I *have* been able to get to company gatherings and the like, and I can see how exceptional and dedicated our members are, it really motivates me. So, from my perspective in real estate, the single thing that's most

exciting for me as I look forward is thinking about the immense opportunities that will be afforded our people because of growth.”

Community Involvement: Building a Better State

Admittedly, entrepreneurs go into business to make money. That was a goal for Ike and Eddie Sr. 70 years ago, and it remains a goal today. No surprise there.

Regrettably, the “free” part of the free enterprise system we enjoy in this country has allowed many a business to exercise a take-the-money-and-run mindset. Notable scandals have made the headlines and rocked the stock market. These businesses may espouse a commitment to philanthropy, and may, in fact, do many noble things, but only insofar as charity serves their overall marketing goals. Such companies try to serve two masters, but in a pinch, there’s no doubt which one they’d abandon first.

By contrast, something we might term “compassionate free enterprise” has always been the Bashas’ way, and we’re even more committed to it now than ever, making this yet another way in which the company is growing, and will continue to grow.

We do something different with our freedom. The autonomy that comes with private ownership also grants us the freedom to be ardent supporters—unabashed fans, even—of our home state. We care about the neighborhoods we serve, and we’re allowed to let that show. And what we do for the community doesn’t arise from a guilty conscience or a grudging sense of obligation; it’s rooted in enthusiasm, in being stakeholders, and in one profound realization: We could not survive without the Arizonans who patronize us, but we fool ourselves if we think Arizona could not survive without us. We are indebted to our home state every day for the success we enjoy.

It’s this sense of gratitude that leads Bashas’ members to serve with civic groups, city councils, school boards and charitable organizations. It’s why Bashas’ has a continuing commitment to quality education, which leads to economic growth, increased opportunity and a better state for everyone. It’s the motivation for helping to further Native American entrepreneurship and job creation, and why we share profits with the reservations on which several of our stores are located. It’s why Eddie vigorously supports health care for kids and adults who don’t have it, and it’s the motivation for Bashas’ members who support candidates for office who embrace our common goals.

The desire to give back also is the motivation for a relatively new job at Bashas’: community relations coordinator, a position held by Meghann Finn. “The idea of creating that job,” says Public Relations Director Mimi Meredith, “was to build permanent bridges to the community. It can be all too easy to write a check and move on, but we want to recruit a corps of volunteers who carry our corporate commitment into the organizations that serve their neighborhoods and communities. Meghann is there to be a resource for all of us, a person whose full-time job is to help each of us to find a way to plug in to the

community in whatever way we can do the most good. Her job is a mindful part of our public relations effort, day in and day out.”

Examples of community-boosting efforts coordinated through Meghann’s office are many. Internal programs include the annual Holiday Food Drive, Turkey Tuesday and the Thanks a Million program for schools, churches and non-profit organizations. We also lend our support to broader endeavors such as AIDS Walk Arizona, the City of Hope Walk for Hope to cure Breast Cancer, the Alzheimer Association’s Memory Walk and the Something Good program, in which we partnered with KTVK-TV3, ¡Mas! Arizona and Make a Difference.

Regardless of the program, our aim is to get into the community up to our elbows. “I don’t want to just give a neighborhood school \$50 to help them with a fall carnival,” says Meghann. “I want our members to be a *part* of the fall carnival, and donate time and help out with the event and be a part of the school and the community.”

It’s these kinds of opportunities that Meghann’s on the lookout for, because they’re part and parcel of who we are. She’ll be publicizing more community involvement opportunities for all members, so stay tuned. There’ll be many more to come.

Conclusion

This is a great time to be at Bashas’. Whether you find yourself anchored to where Bashas’ has been or drawn to where it’s going, you’re in fine shape, because the future of this company should both reassure *and* excite you. If you like how things have always been, great: You need not be nervous, because the future will hold more—*much* more—of the same. And if you’re one who’s always scanning the horizon for the Next Big Thing, that’s great, too, because there’ll be plenty to hold your interest.

Whatever we do, it will be in our own inimitable style. Considering that tomorrow’s leaders, in many instances, have had a lifetime of apprenticeship to today’s, our basic nature will continue manifesting itself in everything we do. That’s why there’d be no problem recognizing this company were you to step into a time machine, speed forward a few years and step out again. It would be like meeting an old friend from high school at a reunion: The years would have wrought some changes, to be sure, but you’d know us in a heartbeat. The same would be true, one suspects, were we to revive someone who’d been in hibernation since the 1930s, 50s or 70s and show him today’s company—he would find Bashas’ to be Bashas’, its essential character unchanged, and he would be at home.

We are still the company whose resourceful matriarch, as a girl, sold lace on the streets of New York to help her family. We are still the company that arose from the fortitude of industrious immigrants who moved west, chasing a dream. We are the company founded by two enterprising men whose only immediate hope was to keep their family solvent. We are the company that later was invigorated by a man who, when his

father died, at first feared that his vision exceeded his abilities, only to find decades later that they were pretty evenly matched.

We are who we are, and who we've always been: a family of members who care about one another, the customers we serve and the communities in which we live. These things will stand. There will be a lot of changes in the years to come, but don't expect our identity to be one of them. It truly can be said of Bashas' that the more things change, the more they'll stay the same.