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RETAIL

Target aims at P&G over Amazon deal

Tiff highlights the intense competition between mass-market retailers for sales of everyday household goods

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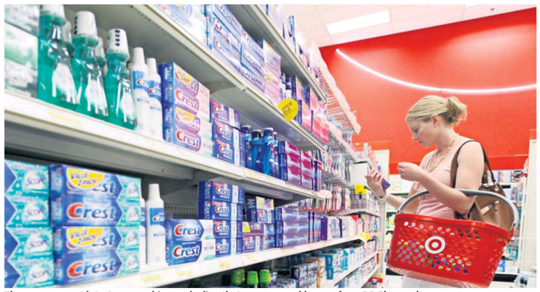
When word got out that **Procter & Gamble Co.** had allowed **Amazon.com Inc.** to set up shop inside its warehouses, the consumer-goods giant found itself in another retailer's cross hairs.

The goal was to make it cheaper and faster for Amazon to fill orders for Pampers diapers and Bounty paper towels. But the move riled Amazon's bitter rival **Target Corp**., which reacted by retaliating against P&G, according to people familiar with the matter.

Several months ago, the discount chain started to give some P&G products less-prominent placement in stores, including less space on "endcaps"– the coveted shelves at the ends of store aisles where featured items are highly visible to shoppers and tend to sell quickly – people in the industry said.

Target also stripped some big P&G brands of their "category captain" status, meaning the retailer chose to seek advice from other providers on how to boost sales in their product areas, two people familiar with the matter said.

In addition, Target encouraged some suppliers that compete with P&G to work together on promotions, offering discounts on combined purchases of their products, another person said.



The arrangement lets Amazon ship goods directly to consumers' homes from P&G's warehouses. STEVE HELBER/AP

The moves were aimed at sending a message after senior Target executives learned P&G was working closely with Amazon, people familiar with the matter said.

Amazon, P&G and Target declined to comment.

The dispute has since de-escalated, people familiar with the matter said, with P&G products returning to the endcaps in Target stores and the consumer-products giant advertising big discounts at Target in recent weeks.

Still, the tiff highlights the intense competition between mass-market retailers for sales of everyday household goods, as well as retail executives' sensitivity to any hint that their suppliers may be helping rivals gain an advantage.

The Wall Street Journal reported P&G's pilot project with Amazon in October. The unusual arrangement lets the online retailer ship goods like diapers, toilet paper and shampoo directly to consumers' homes from P&G's warehouses, saving both companies warehousing and transportation costs.

What Amazon is doing with P&G is resulting in "a direct pull of business away" from other retailers, which is why some were upset to find out, said Leslie Hand, an analyst at IDC Retail Insights, which sells research to retailers and other businesses.

Basic consumables are among the few products yet to migrate online in large volumes, and brick-and-mortar retailers have been loath to encourage the shift. Popular P&G brands such as Pampers and Tide have long been reliable drivers of trips to stores. But once shoppers get used to buying diapers and detergent online, they have fewer reasons to go back to stores, Ms. Hand said.

Target is particularly vulnerable to gains by Amazon. According to consultancy Kantar Retail, 62 per cent of Target's shoppers also visit Amazon within four weeks of their Target trip, up from 33 per cent in 2007.

The two retailers have also had a complicated relationship. Amazon ran most of Target's website operations for a decade. Target took over in 2011, but the long tie-up with Amazon left it far behind in the race to sell more online. The Internet still only accounts for less than 2 per cent of Target's sales. Meanwhile, its store traffic has fallen for four straight quarters.

Both Amazon and P&G are eager to expand sales of consumer products online. Their distribution arrangement is part of a program called "Quantum Tunnel" between the company's baby-care business and its e-commerce partners.

P&G had offered the same capability to other large retailers, including Target, but several turned it down because e-commerce was only a minuscule part of their sales and there was little benefit for them to be on-site with P&G at the time, people familiar with the matter said.

TECHNOLOGY

South Korea's Kakao pushes the boundaries of social media

JONATHAN CHENG BARCELONA

Jan Koum, WhatsApp Inc.'s chief executive officer, vowed this week to keep his messaging service simple, despite a $19-billion (U.S.) deal to be swallowed up by Facebook Inc.

Sirgoo Lee, co-chief executive of South Korea's **Kakao Corp.**, is making no such promises. With 133 million registered users, Mr. Lee is rolling out dozens of services – such as basic messaging, mobile gaming, Instagram-style photo sharing and online shopping – all on a user interface that is bursting with bright colors.

"We're trying all kinds of different things and services," Mr. Lee said in a recent interview. "You can call it our survival instinct."

Kakao is close to signing bankers to lead its own planned public offering, which could value the company at more than $2.5-billion, according to people familiar with the matter. Outside investors in the company, whose service runs on 93 per cent of South Korea's smartphones, include China's Tencent Holdings Ltd.

Its biggest moneymaking hit, he says, is Kakao's gaming platform, which has become the mobile gatekeeper for South Korea's gaming industry.

One game, *Anipang*, which users play through Kakao's messaging platform, helped Kakao notch up about $6.5-million in profits, on $42-million of sales, in 2012, through in-service purchases of virtual goods.

All but three of the top 25 revenue-generating apps on Google Inc.'s mobile Play Store in Korea are games running on Kakao's platform, according to Google.

Another big success for Kakao: a service called "Plus Friend," which allows users to become virtual friends with retail brands, media outlets and celebrities. Participating brands and stars send a set number of monthly messages, coupons and real-time information to its followers – for a fee. Since Plus Friend launched two years ago, it has become Kakao's second-biggest moneymaker.

And Kakao's third big sales engine is virtual and real-life goods, allowing users to buy cartoon images to send to friends, or to pay for real-world gifts, such as Swarovski AG diamond necklaces, with the click of a thumb.

Mr. Lee says that the company's freewheeling approach is driven by the frontier-like frenzy surrounding mobile messaging.

Kakao has to tap markets other than South Korea, with a population of 50 million, to keep growing. With China and Japan tough to break into, Kakao is making a play for Southeast Asian markets, including Malaysia, the Philippines and Indonesia.

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LEGALS

NOTICE TO CREDITORS OF WHITE BIRCH PAPER COMPANY AND VARIOUS SUBSIDIARIES AND AFFILIATES

NOTICE OF THE D&O CLAIMS PROCEDURE FOR WHITE BIRCH PAPER COMPANY (NOW KNOWN AS "ESTATE WBPC COMPANY") AND VARIOUS SUBSIDIARIES AND AFFILIATES, (COLLECTIVELY "WB") IN CONNECTION WITH FACTS ARISING ON OR AFTER THE FILING OF PROCEEDINGS UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT* ("CCAA") ON FEBRUARY 24, 2010

The Court number assigned to these proceedings is 500-11-038474-108. The entities affected by the Initial Order rendered on February 24, 2010 are the following (their present names are in quotation marks): White Birch Paper Holding Company ("Estate WBPHC Company"), White Birch Paper Company ("Estate WBPC Company"), Stadacona General Partner Inc. ("Estate SGPI Inc."), Black Spruce Paper Inc. ("Estate BSPI Inc."), F.F. Soucy General Partner Inc. ("Estate FFSGPI Inc."), 3120772 Nova Scotia Company, Arrimage De Gros Cacouna Inc. ("Estate GCSI Inc."), Papier Masson Ltée. ("Estate PML Inc."), Stadacona L.P. ("SSEC L.P."), F.F. Soucy L.P. ("FFS L.P.") and F.F. Soucy, Inc. & Partners, Limited Partnership ("FFSIA L.P.").

PLEASE TAKE NOTICE that on February 10, 2014, the Superior Court of Quebec for the judicial district of Montreal, sitting in Commercial division (the "**Court**"), issued an order establishing a claims procedure for the identification, resolution and barring of claims against the directors and officers of WB in connection with facts arising on or after February 24th, 2010 (the "**D&O Claims Procedure Order**") and ordered that Ernst & Young Inc., in its capacity as Court-appointed Monitor of WB (the "**Monitor**"), send proof of claim forms to each known creditor of WB. Any Person who believes that it has a claim against the directors or officers of WB which is subject to the D&O Claims Procedure Order (each a "**D&O Claim**"), must submit a proof of claim to the Monitor to be received at the latest by 5:00 p.m. (Montréal Time) on April 11, 2014 (the "**D&O Claims Bar Date**"), failing which such person will be forever barred from advancing a D&O Claim against the directors or officers of WB or from receiving any distribution under any plan of arrangement of WB on account of such claim.

D&O CLAIMS WHICH ARE NOT RECEIVED BY THE MONITOR AS DIRECTED HEREIN ABOVE SHALL BE FOREVER BARRED.

Claims packages and proofs of claim forms can be found on the Monitor's website at www.ey.com/ca/WhiteBirch, or can be obtained from the office of the Monitor.

Some of the entities affected by the Initial Order have requested and obtained relief under Chapter 15 of the U.S. *Bankruptcy Code*. There will not be a separate claims process for U.S. creditors of the entities affected by the Initial Order. The D&O Claims Procedure Order is in the process of being recognized under Chapter 15 of the U.S. *Bankruptcy Code* and thereafter all U.S. creditors shall be bound by the D&O Claims Procedure Order.

Dated at the City of Montréal, this 26th day of February, 2014.

Ernst & Young Inc., Court-appointed Monitor in the matter of the proposed plan of compromise and arrangement of Estate WBPC Company et al.
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