

BUSINESS INSIDERS

INSIGHTS ON BIG TOPICS OF THE WEEK FROM THE REPUBLIC REPORTERS

Winco scouts for warehouse-grocery sites

A new grocer looking at the Phoenix area could ratchet up already red-hot competition in what is thought to be America's most competitive grocery market.

Winco Foods, an Idaho-based discount grocery chain, has been scouting the area for sites for four to five warehouse-style food stores.

The employee-owned company is said to have inked a deal for a former Walmart location at Third Avenue and Bell Road in Phoenix for its first store, although Vice President Mike Read would neither confirm nor deny the location. He acknowledged, though, that the company was interested in the Phoe-



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nix area as an expansion market.

The 43-year-old Boise company operates 70 stores in Washington, Idaho, Oregon, California, Nevada and Utah and has been opening a handful of new stores each year. The company entered Utah late last year with a Salt Lake City store.

Winco stores are huge, almost

100,000 square feet, and employ about 225 people.

The company aims to be the low-price leader in all of its territories and has cut costs to the bone. Customers have to bag their own groceries, and credit cards are not accepted because of the high transaction fees charged by the issuing banks.

The stores have concrete floors and metal racks, and much of the merchandise is on pallets. There are separate meat, seafood, bakery and deli departments and large bulk-food areas.

Customers rave about the prices, but some complain about the no-frills ambience.

The company employs about 12,000 people and had 2009

sales of \$4.1 billion. Prices are comparable to Walmart Supercenters, according to Read.

"We beat them on some items and they beat us on others, but at the end of the day our overall prices are lower," he said.

Including its Supercenters, Neighborhood Markets, Marketside stores and Mercado de Walmart Latin markets, Walmart is the Phoenix-area grocery leader with an almost 30 percent market share. Fry's is second with about 25 percent.

Intense competition among grocers that also include Safeway, Albertsons, Sprouts, Trader Joe's, Sunflower Farmers Market and Whole Foods, contributed to the bankruptcy filing last

year by Bashas' Inc., the state's fourth-largest grocery chain. Bashas' has closed 30 stores in the process and has submitted a reorganization plan to the U.S. Bankruptcy Court that it hopes to get approved by summer.

Store closures by Bashas' and other retailers led to a soaring retail-vacancy rate in metro Phoenix and opportunities for new players such as Winco.

John Mitchell, a principal at Resolute Commercial Services, a Scottsdale business that acts as court-appointed receiver for a number of troubled Phoenix retail centers, noted there are incredible deals out there for companies that want to buy or lease one of the closed stores.