

IN THIS CORNER ...

Walmart takes its fight for grocery dominance to Publix's home turf while Publix moves the battle to North Carolina.



PUBLIX VS. WALMART

Fans of business as a competitive sport have enjoyed a treat of late in Florida. Walmart launched an ad campaign showing Floridians, with their grocery cash register tapes in hand, discovering how much they could have saved by shopping at Walmart rather than a competitor. That competitor: Publix, the home state giant.

Publix, in a move rarely tried against Walmart, counterpunched last year with its own ad campaign calling out Walmart by name. "Walmart doesn't always have the lowest price," its ads said. Ads showed side-by-side comparisons of items at the two stores, with Publix shoppers coming out on top.

Walmart, undaunted, landed a new blow on a hallmark of Publix marketing. In a test unique to Florida, Walmart began to match Publix's buy-one, get-one free offers. Not only would Walmart match Publix, and

other competitors' offers, but it also would do so at Walmart's own lower price. "At the end of the day, what we are saying is, 'we own price,'" says Martin Mundo, Walmart's top executive in Florida. "That is who we are. That is what our brand stands for, and we will make sure that no one messes with that — in a good way," he added politely.

The business world has noticed. Says IBISWorld grocery analyst Jeffrey Cohen, "Publix and Walmart have really been duking it out this past year."

The contest indeed has become more pointed of late, but Walmart vs. Publix has been a hardy perennial of business journalism in Florida since Walmart opened here in 1982. As a fight card, it has much to recommend it. In this corner, the challenger ... weighing in at 317 Florida stores ... from Bentonville, Arkansas ... the world's largest retailer and the U.S. grocery sales leader.

In this corner, the champion ... weighing in with 753 Florida stores ... from Lakeland, Florida ... Florida's largest retailer and the leader in Florida grocery sales.

Both are among the most valuable retail brands in the nation, according to consultancy Interbrand. Both rank on *Supermarket News'* list of chains most aggressively adding stores.

Their styles contrast: The low-price legacy of Sam Walton vs. the high-service legacy of "Mr. George,"





Neighborhood Markets are less than a third the size of a supercenter and smaller than a typical Publix.

➔ Walmart in Florida

▶ 317 locations:

205 supercenters

50 Neighborhood Markets

45 Sam's Clubs

17 discount centers

▶ Full-time employees

average \$13 per hour

▶ City of Miami residents

travel outside the city limits — there's no Walmart inside — to spend \$85 million a year at Walmart. Two Walmarts are coming into Miami.

▶ **Walmart stores** in Doral and Hialeah Gardens are top performers globally for Walmart.

Publix founder George W. Jenkins. Throw in a measure of hometown hero fighting Arkansas interloper — but only a measure. After 32 years, Walmart's hardly a newcomer, and it employs 97,222 full- and part-time workers in Florida. Publix, meanwhile, definitely tops it in longevity, founded in Winter Haven in 1930, and in employment with 123,000 full- and part-timers in Florida. The two companies employ 1 in 88 Floridians, who spend \$6 to \$7 of every \$10 they spend on groceries at either Publix or Walmart.

The title bout comes at a time of upheaval in the perpetually competitive grocery business, where the average profit is a deli-thin slice of 1.2% of sales. Supermarket chains have been losing to a host of players beyond Walmart. Start with wholesale clubs, dollar stores and drug stores. Walgreen's now sells sushi in its prepared foods case.

Ranks of the usurpers in Florida are swelling. Fast-growing private-label value store Aldi, limited selection players such as Trader Joe's and up-market stores such as Whole Foods and Fresh Market.

Supermarkets' share of food and consumables has fallen to under 50% today from 90% in 1988, says Jim Hertel, managing partner for food retail consulting company Willard Bishop, and yet the nation still has 27,500 supermarkets — “too darn many supermarkets,” says Hertel. Elites head for pricey fresh stores, while the financially squeezed middle and lower end steer to the lowest price retailer. “A lot of traditional supermarkets have found themselves in what we call the unsustainable middle,” Hertel says.

Meanwhile, e-commerce threatens to disrupt the business in the very long term, while the convergence of operator and consumer needs drives a trend toward smaller stores. The average supermarket takes 400 full- and part-time workers; operators tire of having to stock five sizes of the same product, while

Neither Walmart nor Publix has figured out how to make online ordering and delivery profitable. Publix tried it in the 1990s and learned lessons but, judging from comments by CEO Ed Crenshaw, won't plunge back in until someone figures out how to do it profitably — or get consumers to pay for it.

consumers value quicker shopping trips and don't need “100 brands of olive oil,” says retail analyst and “Supermarket Guru” Phil Lempert. “We're in a sea of change.”

Walmart's goal is to be Florida's largest retailer in five years, Mundo says. Knocking Publix off its pedestal as the state's largest grocer is the longer-term goal. “We know it's not going to be easy because we have a great competitor here,” Mundo says. “We have a big dream, and we are working hard for it.”

Florida already is a key market for Walmart. Only Texas has more Walmarts. Mundo says it has been growing share year over year in Florida for three years, not just in low- and moderate-income areas but also in communities thought of as Publix turf, such as Windermere near Orlando, where the U.S. Census reports \$105,000 in median family income. “We are making really good sales out of a Publix community,” Mundo says.

Mundo works out of a modest office park Walmart shares with a Miami-Dade welfare office and a military recruitment office. The park fits the Walmart frugal ethic. Mundo, 40, a soft-spoken native of Argentina, joined Walmart in 1994, two years after founder Walton died, as it entered his country. He spent his first year at a store in Missouri and then 14 years in Argentina before leading a buyer group in central America and now, as senior vice president operations, Florida and Puerto Rico.

As he sees it, Walmart has plenty of room to grow, while Publix is at a ceiling and has to worry about returns on new stores and cannibalizing sales. He brims with compliments for Publix and all competitors. “As the founder stated 50 years plus ago, we learn from them and they make us better,” he says.

The road to No. 1 for Walmart is paved with its formula of price and assortment. The vehicle will be smaller store formats, the Neighborhood Market grocery store

Walmart



Sam Walton

Sam Walton (known as "Mr. Sam") was born in 1918 in Oklahoma and died in 1992. He opened the first Walmart in 1962 in Arkansas. Today, there are more than 11,000 Walmarts in 27 countries. The chain has revenue of \$477.2 billion.

Sources: Walmart, Yahoo Finance



"The five-year plan is working in that direction, trying to become the leaders of the state," says Martin Mundo, head of Walmart for Florida.

a supercenter and smaller than a typical Publix. Walmart has opened more than 50 stores in Mundo's two years in charge of Florida. Companywide, Walmart wants to open 300 smaller stores nationally this year, with 25 new markets and supermarkets in Florida, which will employ about 4,000.

In opening smaller stores, Walmart wants to capture shoppers who don't want to drive 20 minutes to a supercenter except for a major stock-up trip and likewise don't want to slog across a cavernous supercenter just to grab milk and cereal for tomorrow's breakfast.

Florida, it's the second-largest on FLORIDA TREND'S list of the top 225 private companies. It's far and away the largest supermarket chain in Florida. Viewed nationally, Publix is the largest employee-owned company in the United States and the seventh-largest private company overall. At a time when grocers struggle to see growth in customer

Brutal competitor

As it strives to take share from Publix, Walmart's advantages include its considerable heft, which lets it obtain goods efficiently and cheaply. Walmart's U.S. grocery sales, at \$156 billion, are more than five times Publix's net sales. Walmart also can leverage other services, such as in-store banking, to draw customers. It can experiment anywhere and roll out solutions companywide. In Mexico, the *Wall Street Journal* reported earlier this year, Walmart might have solved online home grocery delivery. Delivery people, who supply their own vehicles or transport, are low-paid and use handheld terminals for payment so customers don't have to give their credit information online. In Arkansas, it's testing a convenience store designed by a Tampa architectural firm.

That heft, however, becomes a bull's-eye at times. Walmart for more than two years battled to build a supercenter at the Midtown

Miami development before winning approval.

And among its other challenges, Walmart has to face Publix.

It's difficult to overstate Publix's success and strength. Within counts, same-store sales and total sales, Publix is surging. "A phenomenal operator," Hertel says. Publix's profit as a percentage of sales is 5.7%, the fattest among supermarket chains. Walmart's is 3.4%. Publix has been on *Fortune's* Best Places to Work list for 17 consecutive years.

Publix markets a warm image, but it's a brutal competitor. The competitive juice shows as CEO Ed Crenshaw, in a rare interview, answers a question about whether Publix, with 52% market share in Florida, has saturated the market. "So the way I look at it, there's 48% out there that we're not touching. Lots of room for growth," Crenshaw says. "I hate to come across as being selfish, but our fair share is all



Publix is the seventh-largest private company in the U.S., but Walmart's U.S. grocery sales are more than five times Publix's net sales.

of it." Of the 44 new stores Publix has announced, half are in Florida.

The pursuit of even more growth is leading Publix into the competitive North Carolina market, where it has announced 10 stores and opened two. The overall market leader there is Walmart, which reportedly has overtaken Kroger-owned Harris Teeter even in Charlotte, Harris Teeter's home market.

"I'm not sure why anybody would want to get into that marketplace," Hertel says. "On the other hand, Publix has managed to survive in Florida and other places going head to head with Walmart. They maybe have been emboldened by that."

Publix first ventured out of Florida in 1991 to Atlanta with Crenshaw, then a 41-year-old, in the lead. On one of his first trips, he handed a rental car agent his company credit card. "He looked at it and said, 'Poob-lix. What is that?' So I knew then that our work was cut out for us," Crenshaw says. The start looks promising. On a Saturday afternoon in June, a Publix in the Charlotte suburb of Fort Mill, S.C., was doing the business of a veteran store with a full parking lot and the store humming with customers.

For Publix, its road is paved with its service and employee-owner structure. The vehicle is whatever store size and format works. In the last year, it's opened a 28,000-sq.-ft. store in Huntsville, Ala., and a 59,000-sq.-ft. store in Orlando that included a cooking school. Analyst

Fresh and organic markets such as Whole Foods and Fresh Market and affordable fresh player Sprouts, which reportedly has been scouting for Florida sites, make up one of the biggest trends in the grocery business. But trends don't equal destiny. Fresh Market stumbled in Houston; Whole Foods saw its stock price dive in May after it cut its outlook.

Lempert says Publix will continue to grow because its culture and approach has never been wedded to any business model other than meeting shoppers' needs. "They've never lost their focus because they've never been stuck on a single focus," he says. Publix even has proposed a residential tower in Coral Gables as it expands a store there ["Business briefs," page 21].

'Secret sauce'

Publix employees own 79% of the company. Employee ownership, what Crenshaw always calls the "special sauce," is the legacy of founder Jenkins. Crenshaw's office, in a massive green-glassed building just off the Polk Parkway, has a shelf full of Publix curiosities made by fans and employees, including a couple of jars labeled as Publix's Special Sauce. "It's an amazingly powerful thing when you have the people serving your customers that own the company," Crenshaw says. "It's a big deal. It is the differentiator."

Publix looks for a servant's mentality in hiring. It promotes from within. Employees who work at least 1,000 hours per year earn 8.5% of their pay in stock.

Publix tops the supermarket rankings in the American Customer Satisfaction Index, the only company to lead a category since 1994, and scores near the top on *Consumer Reports'* similar survey. Walmart lags in both.

At this stage in the fight, Publix

is far ahead in Florida. As of May, in south Florida, the largest Florida market, Publix held half the market to runner-up Walmart's 15%, says the industry-watching *Shelby Report*. From Tampa across Orlando to the east coast, Publix's lead is narrower, 43% to 29%. In north Florida and south Georgia, Walmart is on top 30% to 29%.

When the titans clash, smaller chains have suffered. Kroger pulled out of Florida in 1988. A much-diminished Winn-Dixie reorganized through bankruptcy court in 2005. Albertsons threw in what was left of its towel in 2012. Food Lion pulled out in 2012. Sweetbay closed stores and in 2013 was sold to Winn-Dixie parent Bi-Lo, which retired the name.

Outside Florida, in the states where the two compete, Walmart's the clear market share winner. But nationally, Walmart in May reported its fifth consecutive quarterly drop in U.S. sales and declining store traffic. (Neither company breaks out financials by state.) As consumers have other low-price options and find more convenient stores, some wonder whether Walmart's savings formula is as compelling. A bright spot, however, has been increasing sales at the smaller Neighborhood Markets that Walmart is building in Florida.

Look for the fight to go the distance. Says Walmart division chief Mundo, "We'll see in 10 years what happens."

Walmart's Miami-Dade Battleship

On Black Friday — called “blitz day” in-house — 32,000 customers pass through Walmart’s doors in Doral in Miami-Dade County. It’s the biggest day in the biggest season. In bicycle sales alone, during the run-up to Christmas, this Walmart sells 1,000 a day. “We have to have 7,000 bikes built before we get to the end of October, or we can’t keep up,” says Eddie Marciniak, recently promoted from store manager to market manager.

Welcome to the busiest Walmart store on earth, a behemoth at 233,258 square feet. It’s said to be frequently No. 1 in sales among all Walmarks, foreign and domestic. Walmart won’t comment on that claim, but the store does lead the company in sales of electronics, produce, deli, plants and bikes.

It’s an export engine all its own. The store sits a half-mile from Miami International Airport, and it does a booming business with international travelers looking to ami International Airport, and it does a booming business with international travelers looking to score cheap merchandise, a hefty share of whom plan to resell their

A typical day sees 13,000 to 14,000 customers, served by 800 full- and part-time employees representing 73 nationalities.

goods in their home countries. “They have little stores back in their countries, and they decide, ‘I want all that,’” Marciniak says. “You can walk by a section in the middle of the day and say, ‘OK, this looks nice,’ and you come by five minutes later and they’ve just raked off a whole portion of the section and then they buy it all.” And they buy luggage to tote it home in. Typical Walmarks devote an aisle to luggage. This Walmart has an entire department stocking all manner of luggage, including very, very large bags, to accommodate the buyers.

A typical day sees 13,000 to 14,000 customers, served by 800 full- and part-time employees representing 73 nationalities. It’s a good fit for the airport-bound customers and Doral itself, a city that’s faster-growing, better educated, younger and far more affluent than Florida averages and far more Hispanic — 80% Hispanic, 60% foreign born. Doral is even called Doral-zuela sometimes and far more Hispanic — 80% Hispanic, 60% foreign born. Doral is even called Doral-zuela sometimes for its large Venezuelan population.

Marciniak, a 20-year Walmart

employee who got his start out of college as an assistant manager at a Merritt Island supercenter, came to the Doral store 11 years ago and saw it through its expansion two years ago from a small “division one” store into the supercenter of supercenters. Walmart has nearly 11,000 stores around the world, but Marciniak is a manager known at the very top of company. “He’s Eddie,” says Martin Mundo, head of Walmart for Florida, “For (Walmart U.S. CEO) Bill Simon and everyone, he’s Eddie. Everybody knows Eddie.”

The expansion let Walmart and Marciniak do things rare for a Walmart — things that run counter to the image of a Bentonville-directed uniformity. Rather than stocking only pre-cut meats, the Doral store has a full butcher shop to cater to individual Hispanic preferences in meat cuts. Being in south Florida, the store, of course, takes orders for whole pigs for roasting at the holiday. Again, being in south Florida, the store, of course, takes orders for whole pigs for roasting at the holiday. Again, being in south Florida, it stocks the panoply of crackers popular among Latin na-



During the weeks before Christmas, the Doral Walmart sells 1,000 bikes a day.



While most typical Walmarks set aside an aisle for luggage, the Doral store has an entire luggage department.



"We have the Targets, the Super Targets, the Publix, the Sedano's, the Presidente's, Navarro's. We pay attention to them all," Walmart Doral manager Eddie Marciniak says.


It has a fresh fish counter. A cafeteria — another Walmart rarity nowadays — sits under a mural by Venezuelan artist Carlos Augusto Pereira of the Miami skyline, nature scenes and the Walmart slogan, "Save Money. Live Better."

The cafeteria sits opposite a hot deli counter that serves meals from breakfast through dinner. Close at hand is Marciniak's pride, his "Latin version of Starbucks." "No other store in the company has it," he says. Along with Cuban sandwiches, made fresh in the Cuban sandwich press, it sells pastries, health drinks and, of course, coffee — 1,000 servings a week of each type. An ice cream bar nearby sells up to a couple thousand scoops a week at \$1 a scoop.

To cater to the area's affluent population, breads are baked fresh in the store. The bakery company, Pagnifique, started in Uruguay 18 years ago but moved to Miami, supplied the Doral store and now sells in 185 supercenters across the state. "You talk about fresh," Marciniak says. "We continue to keep on raising the bar."

Marciniak worked with buyers in the headquarters in Bentonville to bring in such secondary suppliers, not the ones typically supplying Walmart warehouses, to obtain the goods customers prefer, whether fresh bread, local ice cream or a multiplicity of malangas. As with Pagnifique, sales success in Doral can lead the vendors into other Walmarts.

As Marciniak walks his store, he points out the wheels on produce bins. To save time, the empty produce racks are wheeled out and ones fully stocked in back are wheeled in as replacements.

"We want to make sure we have the same selection at 10 o'clock at night as we do in the morning," Marciniak says. "We always say, 'Miami never sleeps.'" 



The butcher shop inside the Doral store caters to Hispanic preferences in meat cuts, going beyond just offering precut meats.