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# Walmart's New Push

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# Walmart's New Push

The retail store steps up expansion in South Florida's urban areas, with some debate.

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South Florida — particularly Miami-Dade County — has long been the land of missed opportunity for Walmart.

Walmart may be the world's largest grocer, but in South Florida the company is a distant No. 3 when it comes to marketshare behind market leader Publix and the second place Winn-Dixie.

It's not for a lack of bargain-hunting shoppers. To see the potential market demand, all it takes is a visit to the supercenter in Hialeah Gardens or the newly expanded supercenter in Doral, where the two mayors have a friendly rivalry going about whose store is the biggest in the country.

Sales volumes at both stores consistently rank among the top three to five Wal-marts in the U.S. and possibly the world. Hialeah Gardens Mayor Vioset De La Cruz has been told his store took home the top spot with sales that hit \$200 million last year. Ever since the Hialeah Gardens supercenter opened 12 years ago, the football field sized parking lot has been packed day or night, with traffic that can climb as high as 8,000 visitors on a busy weekend day.

With numbers like that you would expect Walmart would have spent the last decade on an aggressive expansion push. Instead, South Florida is the only market in the Southeastern United States where Walmart's grocery market share ranks a distant third at 11.6 percent, according to The Shelby Report, a grocery industry trade publication. Walmart currently doesn't have a single store in the city of Miami.

But that's changing. Walmart is cranking up its growth in South Florida and especially Miami-Dade County. While most of the retailer's stores have historically been around the edges of Miami-Dade County, Walmart is now trying to move into the heart of the city

of Miami and creating controversy along the way. A supercenter proposed for the Shops at Midtown Miami has drawn the ire of some vocal local residents, but a Neighborhood Market store in Miami's Flagami area has been more well-received.

These openings are part of Walmart's largest expansion in the tri-county area

*'There is an opportunity in the market, and clearly we are going after it,'*

— Martin Mundo,  
senior vice president for Walmart's Florida division



MUNDO

in about seven years with 12 new stores planned, plus the expansion or relocation of seven existing stores that will be adding groceries. All Miami-Dade stores already have groceries, and Walmart will finish adding groceries in Broward by 2014.

In total, Walmart expects to invest \$380 million in South Florida over the next two years and create at least 2,900 new jobs, said Martin Mundo, senior vice president for the Florida division.

"There is an opportunity in the market, and clearly we are going after it," Mundo said. "Our customers are telling us they want our stores closer to their community. We are working hard to catch up."

And local real estate brokers say this is only the beginning. Walmart is still hunting for expansion opportunities for both traditional supercenters and the smaller grocery-oriented Neighborhood Market. Brokers say the company has deals in the works that stretch from

the city of Miami to the former Hollywood Fashion Center and beyond.

"They're really trying to make a statement in South Florida," said Jimmy Tate, the developer who put together the site for Walmart's Neighborhood Market on the site of the former Everglades Lumber yard in Miami. "They've definitely been missing the boat in the past, but now they're really focused down here. Walmart is looking to increase its presence here across the board. I think they're going to challenge a lot of the local supermarkets."

The South Florida growth coincides with Walmart's moves nationally to expand its presence in the country's largest urban markets, including Chicago, Los Angeles, Boston and New York. Walmart has typically lagged behind its major competitor Target on urban expansion in these and other markets.

Analysts say Walmart's new focus has been a long time coming and one that is necessary to meet Wall Street's requirements for growth. Gone are the days when Walmart could simply follow the new housing developments further out into the suburbs and find another large tract of undeveloped land to plop down a giant battle grey box.

"Those were the golden times," said Neil Stern, senior partner with McMillan Doolittle, a national retail consulting firm. "They've built out most of the country and the ones that are left are the ones like Miami that are a challenge. Those top 10 urban markets have been much more difficult for Walmart to penetrate. They understand that over the next decade, they're going to have to be in that game. That means being more adaptive, flexible and willing to work with the community. That's a skill set that Walmart has to continue to develop."

Walmart executives say they have done just what Stern suggests and are willing to customize an individual store to suit the market or the available space. Today, a supercenter can range in size from 90,000 square feet to more than 200,000 square feet. The smaller super-



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EMILY MICHOT/MIAMI HERALD STAFF

**SHOPPING FOR BARGAINS:** Customers check out groceries at the Walmart Supercenter in Doral, which recently added groceries.

centers still have all the key product categories; the biggest difference is in the number of choices of brands and sizes.

"Now we're more flexible in our format," said Steve Restivo, senior director of community affairs for Walmart. "We've got a format and size to match almost any market."

In addition to smaller supercenters, Walmart is aggressively rolling out its new Neighborhood Market concept, which is in essence a typical grocery store with a limited assortment of Walmart's general merchandise. The Neighborhood Market format was introduced by Walmart in 1998, but the company currently only has 200 locations nationally.

At only about 40,000 square feet — one-fourth the size of the average supercenter — these are easier to locate in urban areas where space is at a premium, both in terms of availability and price. The company is also testing a Walmart Express format, which at 15,000 square feet or less is closer to a convenience store. None are currently planned for Florida.

The combination of more supercenters and the Neighborhood Market format could be a turning point in Miami, where Walmart needs only a few percentage points of market share to overtake Winn-Dixie.

"I do believe Walmart is soon to be the No. 2 grocer in this market," said Stephen Bittel, chairman and founder of Terranova, a Miami Beach manager and owner of shopping centers.

Fueling that growth are shoppers like Christina Doron, who has been doing her grocery shopping at Walmart superstores for years.

"They're a lot cheaper," said Doron, who visits the Doral store near her office several times a week, although she lives in West Palm Beach. "They're a lot better than Publix. They have everything here."

Despite the demand from customers, Walmart's slow growth in Miami and most urban markets has typically been a function of land being both too scarce and too expensive to accommodate the retailer's traditional big-box store. In



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**BIG DRAW:** Shoppers head into the newly renovated Walmart in Doral, part of the chain's efforts to build its grocery business.

the old days Walmart supercenters were an average of 180,000 square feet and built on close to 20 acres with a never-ending parking lot.

South Florida real estate brokers say Walmart was able to find opportunities during and after the recession as land prices took a dip, particularly in South Miami-Dade County. Several of the new supercenters Walmart has on the drawing boards for the coming years are in that area, including locations in Naranja and Goulds.

"It's all about pricing," said Josh Rodstein, senior director of NAI Miami. "When we hit \$10 or \$15 per square foot on raw land it priced them out of the game. Then when it got to \$20 or \$25 per foot forget it. But as land prices have come down so drastically in some areas, the numbers work for them."

Walmart won't directly attribute its recent expansion to any change in South Florida's real estate prices. But the company does acknowledge that some of its growth in Miami-Dade County has been about taking advantage of vacant retail spaces.

The Hialeah Neighborhood Market that opened in March is on the site of a former Circuit City while a Pembroke Pines supercenter that opened in January was a shuttered Home Depot. Both a supercenter planned for Goulds and a Neighborhood Market in Homestead scheduled to open next year were former auto dealerships.

In order to facilitate the expansion of the Doral store, Walmart purchased the shopping center. The space that Walmart expanded into was previously a

Circuit City and a 99 Cent Stuff, both of which closed.

That additional property allowed the Doral store to nearly double in size from 125,000 square feet to 232,000 square feet, adding a full-size grocery store with 1,000 new items plus a cafeteria that serves hot meals and an ice cream counter. General Manager Eddie Marciniak said sales at this store have jumped close to 40 percent since the expansion opened in April.

"A lot of our customers were telling us that they had to bypass us to go down the road to get groceries," Marciniak said. "When we added food, we saw a lot of new faces because we gave them what they wanted."

Since the expansion Cindy Dorvilier swings by the Doral store a couple times a week for lunch and a quick shopping trip.

"They did a good job," said Dorvilier, who works in Doral and lives in North Miami Beach. "When I don't have lunch, it's a convenient and cheap place."

Given the precarious state of the U.S. economy, the most recent financial results for Wal-Mart Stores show that the retailer's core low-income and middle-income consumers are spending, but still feeling the pinch. Wal-Mart last month said same-store sales for the quarter ending July 27 rose only 2.2 percent. Sales rose 4.5 percent to \$114.3 billion, but that number was still below analysts' expectations.

At the same time, the economy has also provided a stronger case for the economic impact Walmart can bring to a community. In 2011, Walmart provided 5,000 jobs in Miami-Dade County and paid \$4.5 million in property taxes. Those



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**FOCUSING ON FOOD:** Sporting headphones, Sonaya Rivera, 10, helps her uncle, Marco Lillo, navigate the grocery aisles at Walmart in Doral.

numbers were even higher in Broward County, where the company has more stores, so it employed 6,000 people and paid nearly \$7.5 million in property taxes.

But even those kind of numbers aren't enough to silence Walmart's critics at Midtown Miami. Those same people had no problem when Target opened in Midtown.

"Target has got a better image than Walmart for better or worse," said Dean Schwanke, senior vice president with the Urban Land Institute. "People always have a problem with infill locations. The NIMBYs [anti-growth critics] don't want to see the neighborhood change. Walmart has got to come up with a sexy design that looks good and you don't feel offended by."

Walmart is trying to do a better job of making its stores fit in architecturally within the community. Gone are the days when all Walmart stores were cookie cutter, giant grey boxes with

royal blue trim. While an official design for the Shops at Midtown Miami store has still not been submitted, Walmart has discussed plans that would include a distinctive Mediterranean-style architectural design, plus a parking garage above the store and street front retail stores lining the building.

Opposition is nothing new for Walmart, whose critics run the gamut from union leaders to anti-growth critics who fear that the arrival of Walmart will shut down local businesses and in turn put local employees out of work.

Hialeah Gardens Mayor De La Cruz said he thinks that fear is unnecessary.

"I know a lot of elected officials are afraid Walmart will put a lot of people out of business," De La Cruz said. "What I've seen is just the opposite. A lot of places open around Walmart and have done very well just because of the traffic they generate."

The bottom line: no matter how many people complain about Walmart, many of them still are shopping at the world's largest retailer. Miami residents are currently spending \$85 million a year on Walmart purchases outside the city limits.

"You can moralize about it, but if people really felt that strongly then they wouldn't shop there," Stern said. "It's a perception thing and Walmart is going to have to continue fighting it. When you're the biggest, there's going to be a bullseye on your back. Nobody likes Goliath."



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### Expanding and creating jobs

Est. Grand Opening	Store Type	Est. Jobs Created	Address
Mar-12	New Store - Neighborhood Market	100	400 W 49th St., Hialeah
May-12	Expansion -Adding groceries	200	8651 NW 13th Terr., Doral
Oct-12	New Store -Neighborhood Market	100	11800 Hialeah Gardens Blvd., Hialeah Gardens
Nov-12	Expansion -Adding groceries	100	3306 N. University Dr., Sunrise
Dec-12	Relocation -Adding groceries	100	7300 W. McNab Rd., North Lauderdale
Jan-13	New Store - Neighborhood Market	100	9840 S. Military Trail, Boynton Beach, 33436
Feb-13	New Store -Neighborhood Market	100	1101 S. Military Trail, Deerfield Beach
Mar-13	New Store -Davie	300	University & Orange Dr., Davie
Apr-13	Expansion -Adding groceries	100	4545 Hypoluxo Rd., Lake Worth
Summer 2013	Relocation -Adding groceries	100	300 W Copans Rd., Pompano Beach
Summer 2013	New Store -Neighborhood Market	100	NEC S. Federal Hwy. & Avenue L Delray South
Summer 2013	New Store -Neighborhood Market	100	Federal Hwy., Homestead
Fall 2013	New Store -Supercenter	300	SW 211 & US1, Goulds
Fall 2013	Expansion -Adding groceries	100	1800 University Dr., Miramar
Early 2014	New Store -Supercenter	300	NEC SW 137 Ave. & 288 St., Homestead
Early 2014	Expansion -Adding groceries	100	2144 W. Indiantown Rd., Jupiter
Spring 2014	New Store -Supercenter	300	Flagler St. & NW 92nd Ave., Miami
Spring 2014	New Store -Supercenter	300	22100 US Hwy. 441, Boca Raton
2014	New Store - Neighborhood Market	100	6991 SW 8 St., Miami

SOURCE: WALMART



REACHING OUT: Diana Clemente, 4, helps family friend, Alba Peña, pick out produce.



### Grocery Market Share

These are the top five leaders in the following markets:

#### SOUTH FLORIDA

Company	# of stores	% of market
Publix	235	54.6%
Winn-Dixie	92	14%
Walmart	28	11.6%
AG of Florida	112	7.3%
Sedano's	31	2.8%

#### CENTRAL FLORIDA

Company	# of stores	% of market
Publix	384	42.9%
Walmart	118	26.3%
Winn-Dixie	135	10.1%
Sweetbay	104	6.3%
Super Target	24	3.2%

#### NORTH FLORIDA/S. GA.

Company	# of stores	% of market
Walmart	60	29.9%
Publix	106	29.3%
Winn-Dixie	92	17.6%
Food Lion	85	8.2%
Supervalu	26	2.7%

SOURCE: THE SHELBY REPORT



WHAT'S FOR LUNCH? A deli section is among the features in the Doral Walmart, which this year nearly doubled in size.