



Albertsons bowing out of New Orleans area

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Albertsons Inc. on Friday said it will leave the New Orleans area.

Four of its seven stores, one in Gretna and three on the north shore, will be sold to Sav-A-Center Food Market. Three Albertsons -- one each in Kenner, Marrero and New Orleans -- will be sold or closed if no buyer is found. No deadline was provided. All the stores remain open.

Albertsons did not say how many workers are likely to lose their jobs. Terms of the deal with Sav-A-Center were not disclosed.

In a related move, Sav-A-Center announced that it will close its Mandeville store at 3009 E. Causeway Approach and move employees to the Albertsons store it is buying nearby at 3450 Louisiana 190.

Glenn Dickson, president of Sav-A-Center, said, "Our investment in these stores underscores Sav-A-Center's commitment to the New Orleans area and to the many families who shop with us."

He said the greater number of stores should help expose Sav-A-Center to more customers in New Orleans.

Larry Johnston, the chairman, chief executive and president of Albertsons, said in a statement that the decision to leave the New Orleans area is consistent with the company's oft-stated strategy. The company is leaving "markets where we are not No. 1 or 2, and cannot see a path to get there," the statement said.

In the New Orleans area, Albertsons is a distant fourth to Winn-Dixie, Wal-Mart and Sav-A-Center stores.

"Albertsons does not have enough market share" in New Orleans, said Kurt Barnard, president of Barnard's Retail Consulting Group in Upper Montclair, N.J. "They probably determined that it would take too much time, too much money and too much energy to get the market share that they needed to sustain operations in that market."

Burt Flickinger III of the Strategic Group in New York agrees.

"It is a smart move by Albertsons strategically because it exits Orleans Parish and the greater New Orleans market where it did not have sufficient size and scale."

He said the company is redeploying its assets into New England, Chicago and the West Coast.

But he thought it was a surprising move by Sav-A-Center, which is owned by the Great Atlantic & Pacific Tea Co., better known as A&P.

"A&P is walking right into the Wal-Mart Super Center tsunami, which is hitting the greater New Orleans market full force," he said.

Wal-Mart has convincingly wrestled away Sav-A-Center's title as the No. 2 grocery chain in the area. The superstore raised its market share from 4 percent to 23 percent from 2000 to 2003, and Sav-A-Center's share dropped from 20 percent to 17 percent, according to Market Scope, a publication of Trade Dimensions International Inc. of Wilton, Conn. With additional stores, Flickinger said, Sav-A-Center may feel it will better be able to weather the storm.

With the Albertsons acquisition, Sav-A-Center will operate 23 stores in the New Orleans area. Sav-A-Center will buy the Albertsons stores at 2851 Belle Chasse Highway in Gretna, 110 Gause Boulevard West in Slidell, 50 Park Place in Covington and the one on Louisiana 190 in Mandeville.

Sav-A-Center expects to close the purchase within 60 days and reopen the stores as Sav-A-Center Food Markets in July.

As for its remaining properties, Albertsons has two undeveloped sites on which it had planned to build stores, in addition to the three stores that have no buyer, at least not identified yet.

"Discussions are under way with other potential buyers for the balance of the stores and sites in the marketplace," the company said in a news release.

The additional stores are 3502 Williams Blvd. in Kenner; 3400 Tulane Ave. in New Orleans and 1951 Barataria Blvd. in Marrero. The undeveloped sites are in Central City just off St. Charles Avenue and in Slidell.

Albertsons' decision affects only Albertsons stores in the New Orleans area. It does not affect other Louisiana markets such as Baton Rouge, where Albertsons is a market leader.

Albertsons entered the New Orleans market in 1989 with a single store in Slidell. The company expanded in the late 1990s after grocery giant Schwegmann Supermarkets went out of business. In 2000, with five stores in the New Orleans area, the chain based in Boise, Idaho, made up 6.2 percent of the local grocery market, behind Winn-Dixie and Sav-A-Center, which enjoyed 37 percent and 20 percent market share, respectively, but ahead of Wal-Mart, which accounted for only 4 percent of the market.

In March 2002, Albertsons announced a nationwide restructuring plan. Its goal was to make the grocery chain No. 1 or No. 2 in every market in which it operated. The company began to pull out of cities where it had no likelihood of reaching that point. That year, it pulled out of Houston; San Antonio, Texas; Memphis and Nashville, Tenn.

But Albertsons stayed in the New Orleans area. And Albertsons even opened a store on Tulane Avenue in June 2002.

But by 2003, Albertsons saw its market share drop to 4.9 percent in the New Orleans area, making it a distant competitor to Winn-Dixie, which has 29 percent of the market; Sav-A-Center, which had 17 percent; and Wal-Mart, which dramatically increased its market share to 23 percent, Market Scope said.

The company listed its seven area grocery stores and two undeveloped sites for sale in November, according to a prospectus circulated among potential buyers by an investment bank.

Last year, it was reported that A&P, which had announced plans to divest properties in some markets, was asking competitors if they were interested in buying its Sav-A-Center and A&P properties in the New Orleans area. The company would not comment on whether its New Orleans properties were for sale.

Donald Rouse, president of Rouse's Supermarkets in Thibodaux, said the move does not present much added competition because existing stores already have been competing with Sav-A -Center.

Rouse said he has been in discussions with several entities about expanding his chain but would not comment on whether he had talked to Albertsons about a possible purchase.

Barry Breaux, president of Breaux Mart, also expects little change because Sav-A-Center is a known entity. "Albertsons gave up on this market and Sav-A-Center does fairly well in the market, so they decided to take four of the seven Albertsons" he said.

Albertsons, which has annual revenue of more than \$35 billion, operates 2,300 retail stores in 31 states, under such names as Jewel-Osco, Acme, Albertsons-Osco, Albertsons-Sav-on, Sav-on Drugs, Osco Drug, and Super Saver.

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Caption:

STAFF PHOTO BY ALEX BRANDON

Linda Magee with her granddaughter, Kirsten Warner, loads groceries into her car at the Albertson's grocery store on Tulane Avenue in New Orleans on Friday. The store on Tulane is one of three being discussed for purchase by potential buyers.

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