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Wal-Mart Looks For Aldi-Buster Format

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By George Anderson

Wal-Mart benefited during the Great Recession as consumers traded down to its stores to buy everyday items at prices lower than where they had been shopping before. At the same time, it seems, some of Wal-Mart's shoppers were following a similar pattern by going to smaller, limited-assortment grocery stores such as Aldi and Save-A-Lot to reduce their food bills.

Speculation, as laid out in a *Wall Street Journal* report, is Wal-Mart may be looking to open its own small box format(s) to recapture lost customers while bringing in other price-value shoppers.

The *Journal* pointed to comments made last month by Bill Simon, COO of Wal-Mart, who said the company was looking for "more-efficient formats" in metropolitan areas around the U.S.

South of the border, Walmart de Mexico has seen growth rates beyond the U.S. business by operating seven different formats. The current chief of Wal-Mart in the U.S., Eduardo Castro-Wright, used to run the Mexican business.

Opinions differ on the nature of the threat to Wal-Mart from Aldi and Save-A-Lot.

"Aldi literally ran Wal-Mart out of continental Europe, and now they're taking the fight to Wal-Mart in the U.S.," Burt Flickinger of Strategic Resource Group, told the *Journal*.

Gary Stibel of New England Consulting Group sees a different scenario. "While the challenge for Wal-Mart will be retaining the new customers they gained in the recession, that challenge will be even tougher for Aldi and the other hard discounters," he said.

Discussion Question: Does Wal-Mart need a small box format to compete with the likes of Aldi and Save-A-Lot? Does it need other small box formats to address competition from convenience stores and newer competitors such as Fresh & Easy?

- **Beyond the Big Box: Wal-Mart Thinks Smaller - *The Wall Street Journal***

Comments

Yes, Walmart (and Home Depot, and Target and . . .) needs an urban mini-box and, as I've taken to pointing out lately in presentations, smaller urban formats are going to just start popping up without a lot of fanfare. Some will be stand-alone labs, others will be intended for roll out. One of the less-discussed reasons why Walgreens gobbled up Duane Reade is to jump start their urban planning and of course, they and Duane Reade are adding prepared meals, high-end cosmetics concepts, liquor and you-name-it to these stores. Aldi isn't the only urban opportunist out there and Walmart and others need to get cracking.

Carol Spieckerman, President, newmarketbuilders - Braintrust Panelist

Totally makes sense, and they've already learned a lot with Neighborhood Market, Super Mercado and even Marketside. A portfolio of formats is really the best way to get to all consumers in the U.S. and especially the urban markets (where Walmart is not). I'm sure the most affected segment, mid-market grocery stores, is quivering with anticipation.

Lee Peterson, EVP Creative Services, WD Partners - Braintrust Panelist

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