

## Retail

### Industry experts: Ahold could consider Food Lion closures after merger

By **Daniel Walmer**, June 26, 2015 at 9:55 AM

The proposed \$29 billion merger of European grocery companies Royal Ahold NV and Delhaize Group could lead Ahold to consider ultimately closing Food Lion stores in areas such as Central Pennsylvania where they overlap with Giant Food Stores, according to industry experts.

Central Pennsylvania sits in the center of about 200 stores operated by Ahold's Carlisle-based Giant-Carlisle division. Delhaize's Food Lion brand primarily covers territory to the south but includes stores at 3611 E. Market St. in Springettsbury Township, York County, and 3744 Centennial Road in Conewago Township, Adams County.

"It's possible to keep both banners, but is it financially beneficial to keep both banners?" asked Jeff Metzger, publisher of **Best-Met** industry-related publications. "Ahold would probably win the day, in terms of if one had to survive."

Pennsylvania's Food Lion stores are below the company median in store sales, and they would be difficult to turn into conventional Giants because they are smaller, he said. Food Lions average about 30,000-35,000 square feet, while Giants average 50,000-70,000 square feet.

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Robert Gorland, a Harrisburg-based vice president with **Matthew P. Casey and Associates**, a firm that specializes in supermarket feasibility studies (but had no involvement in this merger), said several other factors could be considered in a decision to continue operating, sell or close a store, including the length of the lease and condition of the building.

Both Metzger and Gorland emphasized that the Federal Trade Commission will be reviewing **the merger** before its proposed completion in mid-2016,

and it could consider forbidding the merged company to retain possession of both brands in certain overlap areas. However, Metzger said he expects the regulators to tread “very lightly.”

Food Lion spokeswoman Christy Phillips-Brown provided a statement that said in part: “Both companies bring strong, trusted local brands to Ahold Delhaize. Ahold Delhaize’s retail stores will continue to operate their existing brands. It is too early to comment on specifics regarding stores before a full integration plan has been put together.”

## Other impacts

The merger will likely have little impact on grocery store suppliers and other regional grocery chains, Metzger said. The real competition for Ahold/Delhaize is large retailers like Wal-Mart and higher-end grocery stores like Whole Foods and Wegmans, he said.

Gorland, who used to lead Giant’s location research department, agreed that the merger happened largely because both companies wanted more buying power and the ability to share knowledge and achieve synergies in warehousing, transportation and administrative overhead. It is difficult to grow in the saturated East Coast grocery store market other than through acquisitions, he said.

Still, Metzger called the deal “expensive” for Ahold and said will not right the company’s struggling sales unless it improves its ability to attract customers from the competition.

“I don’t want to prejudge them, but that’s a daunting question that they’re going to have to address,” he said.

More acquisitions in the industry could occur because other retail chains are facing the same problems Ahold is facing, but there are likely not any other imminent deals, Metzger said



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