

RETAILERS

## Who Will Shop for Shoppers?

The future of Supervalu's sleepy Washington chain gathers intrigue as UNFI ponders a sale.

By [Jon Springer](#) on Aug. 17, 2018



Photograph courtesy of Shoppers

With market shares of about 6% in the Baltimore and Washington metro markets—and with a limited demonstrated ability to take on a whole lot more—it's been easy to overlook Shoppers Food and Pharmacy over the years.

The 50-store banner, based in Lanham, Md., has been run for nearly 20 years by Supervalu, which acquired it as part of its 1999 merger with supplier Richfood Holdings. Though Shoppers has origins as a warehouse style, price-focused chain, it has quietly transitioned into a full-service grocer over the years. Today, the chain serves area shoppers and its owner with similar reliability: it's a solid, middle-market, neighborhood grocer that helped its owner-distributor not so much as a growth vehicle but as a means to maintain the wholesaler's supply efficiency.

Indications are the industry will be taking a closer look at Shoppers in the months to come as it's likely to go on the sales block—and could gain a new strategic objective along with a new owner. Representatives of United Natural Foods Inc. (UNFI), which is in the process of [acquiring Supervalu](#), expressed little interest in continuing Supervalu's retail divisions and would look to sell them in part to pay down debts to be incurred in the wholesale acquisition.

That would put Shoppers in the crosshairs of any number of strategic competitors either in, or looking to enter, the dense and wealthy Washington and Baltimore markets, sources say. That's not the kind of opportunity that comes around very often, and is leading to speculation.

## Baltimore Market Shares

*Source: Metro Market Studies 2018 Grocery Guide*

“Not since Kroger acquired Harris Teeter [in 2014] have we seen a chance for an outside banner to enter a market with this level of [population] concentration,” Mark Thompson, founder of the real estate deal-tracking site GroceryAnchored.com, said. “The average three-mile population for each Shoppers unit is 117,500 and the three-mile household income is just under \$100,000 per location.”

Sources who spoke to *WGB* indicate incumbents and insurgents—all of whom would have more than just distribution leverage in mind—could show interest in Shoppers. Market leader Giant Food, the Ahold Delhaize-owned brand based in nearby Landover, Md., has already shown a willingness to take on **certain Shoppers locations** that have been closed for replacement stores, though a full takeover could be problematic from an antitrust standpoint as Giant has 73 units that overlap with existing Shoppers stores in a three-mile radius, Thompson said. Albertsons-owned Safeway has 56 competing sites and Kroger's Harris Teeter chain operates 21 neighboring sites.

That's an indication that the chain could be divided up among existing players, Bob Gorland, of retail site selection specialist Matthew P. Casey & Associates, told *WGB*. “It could be another Farm Fresh situation,” Gorland said, referring to Supervalu's recent sale of the Virginia-based chain, which was divided among several strategic buyers. Gorland noted that the decisions would likely hinge on real estate factors, including length and prices of rents, and said Shoppers' varying store sizes—they range from as a little as 25,000 square feet to more than 60,000 square feet—may also turn off a single buyer.

“I anticipate high levels of interest by other grocers when the chain officially is put up for sale in the very near future,” Jeremy Diamond, a Baltimore-based industry consultant with the Diamond Group, said in an interview. “Shoppers has some great locations, especially in the Washington, D.C., area, where the chain was founded.” When Shoppers founders Irving and Kenneth Herman partnered with the Dart Group in the late 1980s, Diamond noted, “the purpose was to get prime store locations in shopping centers owned by Dart Group's President Herbert Hart.”

Burt P. Flickinger III, managing director of Strategic Resource Group, said he believes that Supervalu took too little in return for the Farm Fresh sites, in part because it waited too long to pull the trigger on a deal, and had starved the banner for needed capital investment for too long. That's not quite the case with Shoppers, part of an estimated **\$4 billion** remaining retail arm of Supervalu. That unit, which also includes Midwest banners Cub Foods and Hornbacher's, is showing a least a little life, posting 0.4% comps in Supervalu's most recently reported quarter. Sources estimate Shoppers stores generate about \$1 billion in annual sales.

## Washington Market Shares

*Source: Metro Market Studies 2018 Grocery Guide*

Sources said Albertsons could see Shoppers as a means of strengthening a link between its Acme stores in the mid-Atlantic and Safeway's Washington base; Harris Teeter has a markedly different go-to-market approach than Shoppers but could build its density through more sites. Wakefern Food Corp.'s ShopRite cooperative members in the meantime would also be a possibility, Flickinger noted. ShopRite has a small presence in the market but is arguably a good match for Shoppers' existing customer base.

That existing area chains might divide up Shoppers' sites makes defensive sense given the potential that insurgents approaching Metro Washington might have a bigger appetite. Thompson in a recent report **raised the possibility** that Publix Super Markets—which has been slowly but deliberately buying its way up the Eastern seaboard and now borders Shoppers' Southern frontier—would be one possibility. Gorland suggested Weis Markets might also be a possibility. That chain, based in Sunbury, Pa., has also been opportunistically acquisitive, and it operates under a variety of store sizes. As a result, Weis is building a bigger presence in Baltimore and parts further south.