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Business Retail

Wal-Mart to aggressively roll out smaller stores

Smaller than a grocery store outlets to be opened in urban areas

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AP Associated Press

NEW YORK - Wal-Mart Stores Inc. is planning an aggressive push into urban markets with a new small format that's a fraction of the size of its supercenters.

The expansion, expected to be spelled out next month at the retailer's meeting with analysts at its headquarters in Bentonville, Ark., is aimed to pump up sluggish U.S. sales.

Real estate executives said that over this past summer, the world's largest retailer has been scouring for small locations, around 20,000 square feet, in urban areas including New York City, San Francisco and other cities. That size is larger than a typical drugstore but smaller than a supermarket.

"I see this as a smart move, instead of coming into a market as a 900-pound gorilla," said **Faith Consolo, Chairman of real estate firm Prudential Douglas Elliman's Retail Leasing Division.** She noted that Wal-Mart has been talking to landlords and brokers.

"They're on an aggressive roll," she added. "This is a creative time. Everyone is thinking out of the box."

She noted that in New York City, Wal-Mart has been looking in Queens and the lower part of Manhattan.

Since 2008, Wal-Mart has been testing smaller stores called Marketside. They now total four and average 15,000 square feet. The format focuses on fresh food. And the discounter now has almost 200 Neighborhood Market by Walmart stores, which offer a mix of fresh food, pharmacy, beauty, stationary and pet supplies and are about 42,000 square feet.

Wal-Mart has been shrinking its supercenters, which carry a wide assortment of food and general merchandise, to about 150,000 square feet from 195,000 square feet. But the company has maintained that it plans to use smaller formats in urban markets.

In a note to investors Monday, Brian Sozzi, analyst with Wall Street Strategies, said he believes the new 20,000-square-foot stores would likely fuse the Marketside and Neighborhood Markets formats.

"Wal-Mart needs to have a store concept that brings in customers more than once every two weeks when paychecks are distributed," he wrote. He added that using the Marketside Stores as a vehicle for growth is too limiting, and that Neighborhood Markets are too big to enter cities.

Wal-Mart officials couldn't be immediately reached for comment.

Bill Simon, the new president and CEO of Wal-Mart's U.S. business, told investors last week at a Goldman Sachs retail conference, said that "we will have a healthy mix of supercenters and small formats, including our grocery format, Neighborhood Market and smaller formats," he continued. He added that in particular, Wal-Mart is looking to open stores that are similar to the formats in Mexico, Central America, and Latin America.

"We are going to beg, borrow, steal and learn from them as quickly as we can, because it is important for our urban strategy," he added.

Wal-Mart, which now has more than 4,000 stores in the U.S., has hit a wall in the U.S. The company just reported its fifth straight quarterly decline in revenue at stores opened at least a year, considered a key indicator of a retailer's health.

Wal-Mart benefited during the recession as affluent shoppers traded down to cheaper stores. But stubbornly high unemployment and tight credit are still squeezing its main U.S. customers, lower-income workers who are having even more trouble stretching dollars to the next payday because of tight credit and an unemployment rate stuck at almost 10 percent. The discounter's own merchandising gaffes have also contributed to the company's revenue figure's decline.

Wal-Mart's rival Target Corp. is set to spell out more details of its urban strategy on Friday to the media at its headquarters in Minneapolis. Target had told analysts in January that it plans to open in the next few years smaller stores of 60,000 to 100,000 square feet. That compares with its current average of 125,000 square feet. But real estate executives including John Bemis, head of Jones Lang LaSalle Inc.'s retail leasing team, say Target also is looking at 20,000-square-foot locations.

"I think 20,000 makes more sense than 80,000 square feet," Sozzi said.