

Amazon and Lidl are creating upheaval for big Charlotte grocers, new report shows

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The arrival of Lidl and Amazon's massive purchase of Whole Foods last summer appear to have put pressure on the area's top grocers last year, costing them market share and pushing them to roll out creative ways to win over customers.

Amid these changes, Matthews-based Harris Teeter, however, remains Charlotte's top grocery chain with 19.8 percent of the area's [market share](#), according to a new report on 2017 grocery revenue. Not far behind are two lower-cost grocers, Walmart and Food Lion.

Over the last year, several grocers, including Harris Teeter and its competitor Publix, lost market share amid growing competition, especially from Amazon/Whole Foods. Harris Teeter, which dropped from 20.1 percent a year earlier, also closed a few stores last year, including its location on Johnston Road in Ballantyne and its 201central beer/wine store in Huntersville.

Publix, a Florida company that entered the Charlotte market with its first store in Ballantyne in 2014, is once again Charlotte's No. 4 grocer, with 7.1 percent of the area's market share, down slightly from 7.2 percent a year before., according to an annual report sent to the Observer from sales-tracking firm Chain Store Guide.

Meanwhile, Walmart came in at No. 2 with 18.6 percent of the region's market share, unchanged from the year before. No. 3 was Food Lion with 18.1 percent, also flat year-over-year.

For their part, Harris Teeter and Publix say they're fighting for market share by adding new stores with fancy amenities meant to woo customers and create a unique shopping experience.

A major disruptor throughout the country's increasingly intense grocery competition last year was Lidl, the low-cost German chain that opened its first stores in the Carolinas last fall. Although the discount supermarket chain has slowed its pace of growth since then, it still looks to have taken at least some market share from existing stores here. According to Chain Store Guide, the "other operations" category that includes Lidl grew to 3.6 percent last year, up from 1.7 percent.

In a changing marketplace that has seen new stores arrive and some close up shop in the past year, the next year should bring even more churn in Charlotte's cutthroat grocery industry. More grocery options in Charlotte means some stores are forced to lower their prices to stay competitive, putting more pressure on already-thin profit margins.

"Between Whole Foods/Amazon and Lidl, I think next year is going to be significant," national supermarket analyst Phil Lempert said of Charlotte's growing grocery competition.

What's next

When Amazon acquired Whole Foods last summer for \$13.7 billion, the e-commerce giant started lowering prices on dozens of popular staples, including bread, milk and produce. Whole Foods opened its store in Waverly last May, bringing its total number of area stores to three.

At No. 14 on the Chain Store Guide report, Whole Foods isn't one of Charlotte's top grocers, but it still saw its market share increase to 1.5 percent last year from 1 percent the year before.

Amazon is likely to keep snatching customers from existing grocers here (like Harris Teeter and Publix) as it lowers prices at Whole Foods, making it more "mainstream," Lempert said. Furthermore, Whole Foods will open its uptown location later this year, adding a convenient new option for office workers and uptown dwellers, especially as hundreds of new luxury apartments open along the booming Stonewall Street corridor. As another perk for customers, Amazon started offering delivery of Whole Foods products to its Prime members this year in several markets.

Intense price competition and pressure to offer online ordering following Amazon's acquisition of Whole Foods is pressuring supermarket chains, analysts from Fitch Ratings wrote in a March report.

"There is a heightened sense of urgency to maintain market share due to aggressive expansion by German hard discount chains Aldi and Lidl and a loss of dollar share to the restaurant industry, which has captured a greater portion of total U.S. [food](#) expenditures since 2015," the Fitch report said.

On the other side of the price spectrum, Bi-Lo announced in March that as part of a planned bankruptcy filing it would close 94 stores this spring, including six in the Charlotte region. That will likely have a sizable impact on other local grocers, as Bi-Lo was the area's No. 6 grocer, with 4.9 percent market share.

Charlotte has seen a number of other prominent and long-standing grocers close over the last year, including the homegrown organic chain, Healthy Home Market.

Filling in the gap for the Bi-Lo closures could be dollar chains such as Family Dollar (owned by Dollar Tree) and Dollar General, both chains that sell food at prices that are lower than traditional grocery chains,

Lempert said. Another company to fill in is Lidl, which has several more stores planned in the area.

Aldi, a close competitor with Lidl, saw its market share decline last year, falling to 2 percent from 2.2 percent.

Lempert said he expects Lidl to continue with its aggressive pace of growth this year. "I think Lidl is waiting a bit to see what Aldi does," he said of Aldi, which has been renovating its stores across the country. "(Lidl) is learning a lot, then they're going to hit it hard."

The total amount Charlotte shoppers spent on groceries over the last year declined slightly, according to the Chain Store Guide report, even as the area added new residents at a fast pace. This could be because of increased spending on Amazon Fresh and other e-commerce options, which are not tracked by the report because they do not have retail locations in the area.

Grocers respond to competition

Longstanding grocers are not taking the increased competition lightly.

To stand out amid growing competition, hometown grocer Harris Teeter, started in the Great Depression and later acquired in 2014 by the grocery giant Kroger, has been adding perks you wouldn't find at a traditional supermarket, including wine bars, beer growlers and even gas stations, the company said.

"Our stores with amenities such as beer/wine bars and sit-down eating areas are creating a space where our customers visit, not only to do their shopping, but also to come together in a social capacity. It's exciting to see a grocery store become a social hub within the thriving neighborhoods of our hometown," Harris Teeter spokeswoman Danna

Robinson said in an email.

Publix continues its aggressive expansion throughout Charlotte, even adding stores across the street from Harris Teeter locations. That's the case in Cotswold, where Publix is expected to open its latest area store some time in the second quarter. In March, the chain also opened a Lake Norman location, as well as its second Cabarrus County [store](#) in Harrisburg.

Walmart and other stores will also continue to forge ahead with their e-commerce initiatives as shoppers turn more to online shopping, Lempert said, citing the retailer's purchase of online retailer Jet.com.

"Over the last year, we have continued to invest in serving our Charlotte-area customers through the launch of innovations like our pick-up towers and scan-and-go app," said Kate Mora, regional vice president for Walmart stores in North Carolina.

As Whole Foods becomes more "mainstream," other organic grocers will fill the void left in the "upscale" category that Whole Foods leaves behind, Lempert said. The organic grocer Sprouts opens its first location in Charlotte this week in Ballantyne, for instance.

"You're going to see more 'Whole Foods wannabes,' if you will, as Whole Foods moves out of that space," Lempert said.

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