

# CRAIN'S DETROIT BUSINESS

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## Meijer doubles down on the big box Building smaller is not the way to get bigger for the family- owned retailer — yet

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Photo by Meijer

While Meijer still sees stores as large as the one that opened this month in Flat Rock (shown here) as central to its future, it is looking for new locations in cramped urban areas and mulling what a smaller store might look like.

**Meijer** is still betting big on the big box.

Competitors such as **Wal-Mart** and **Target** are experimenting with smaller stores in an effort to draw millennials and fit stores into more compact urban footprints. But the pioneer of that type of superstore still sees stores the size of three or four football fields, like one that opened in Flat Rock earlier this month, as central to its future.

That's not to say Meijer isn't hedging its bets. Company officials say it is looking for new locations in urban areas and taking another run at what a store about half the size of a typical Meijer might look like.

One thing the company says isn't happening, though, is a rumored store in the district surrounding the new Little Caesars Arena in Detroit.

The privately held, family-owned retailer, based in Walker — with revenue of \$16.1 billion according to *Forbes* — was being courted to open a smaller store to fit into the Woodward Square area of The District Detroit, which immediately surrounds the forthcoming **Little Caesars Arena** in downtown Detroit, *Crain's* reported in January.

However, Hank Meijer, CEO of the retailer, said at the Meijer store opening in Flat Rock: "We don't have any specific plans for (The District Detroit). We know that at some point it would be important for us to have a smaller format that could take advantage of other opportunities, but we're not there yet."

Frank Guglielmi, senior director for communications for Meijer, added: "That's a rumor. We don't know where that started, but we were all scratching our heads as to where that rumor came from. We think it's because we're a major partner with the **Detroit Red Wings**. So a lot of people said, 'Oh, they must be putting a store there.'?"

Still, Meijer is thinking about smaller stores. The retailer's first 102,000-square-foot mini-supercenter in Niles, Ill., a suburb of Chicago, closed in June after opening about six years ago. The retailer has opened four approximately 100,000-square-foot stores offering predominantly food, and has plans to open a similarly sized concept close to home in Grand Rapids in 2018 at the earliest. How Meijer's forthcoming Grand Rapids store could differ from the closed mini-supercenter in Niles is unclear. Meijer's mini-supercenters are about half the size of a typical store.

"We have committed to opening a smaller format store in Grand Rapids, in an urban project that we hope we'll learn from," Meijer said. "We've still got a lot of work to do on that one. We hope that will begin to give us a model to put in other areas."

Guglielmi said it's important to keep in mind that Meijer's "smaller" stores are still relatively large, and consumers won't see the retailer doing a 20,000- to 30,000-square-foot concept that would fit neatly into a big city's downtown. He said the reason Meijer's prices are lower for groceries compared with traditional supermarkets is because there are higher profit margins for general merchandise. Smaller stores make that difficult because the stores can't stock as much.

"Never say never, but I think you'll see traditional Meijers around Detroit before you see smaller ones," Guglielmi added.

That's because Meijer's two supercenters in Detroit — one at the **Gateway Marketplace** development at Eight Mile Road and Woodward Avenue and the other in northwest Detroit at the site of the former Redford High School at Grand River Avenue and McNichols Road — have been successful, especially the supercenter at the Gateway Marketplace, the first store Meijer opened in Detroit.



Photo by Adrienne Roberts

Hundreds of people gathered for the opening of the Meijer in Flat Rock recently.

The stores have done so well, in fact, that the company is eyeing other locations in the city, such as along Jefferson Avenue between I-375 and Grosse Pointe Park, *Crain's* has reported. Meijer has no updates on the reported plans.

Guglielmi said that when looking for a location to build a new store, Meijer looks at a combination of population density, traffic patterns and distance from competitors.

"We continue to be very excited about Detroit," Meijer said. "Our competitors are making big investments here, too, but we want to build share, and that's our goal."

Despite recent efforts by retailers to move away from the big-box format, Ken Dalto, founder and owner of Farmington Hills-based business consulting firm **Kenneth J. Dalto & Associates**, said Meijer does well when it opens its typical large superstores in underserved areas.

The three areas of growth for big-box retailers are in online sales, opening smaller stores and building stores in areas that lack a variety of retail and grocery options, he said. While **Target Corp.** has succeeded in capturing millennials' dollars online and opening smaller-footprint stores (the retailer has used names such as **TargetExpress** and **CityTarget** for these concepts), **Wal-Mart Stores Inc.** and Meijer have done well opening in underserved areas, such as in northwest Detroit, or certain areas of northern Michigan and the Upper Peninsula.

He said Target has captured millennial dollars because it's seen as a one-stop shop for food, name-brand clothing, home improvement products, small appliances and pharmacy needs.

"When people tell you they're going to Target, they have everything, (and shoppers are) going to get everything," Dalto said.

He said that while Meijer has similar offerings, it's still viewed primarily as a place to buy groceries.

Cindy Ciura, principal of **CC Consulting** in Bloomfield Hills, said another challenge for Meijer opening a smaller-footprint store is that shoppers choose to go to a Meijer

because "the selection is amazing, there are such wide varieties, and they buy so deep."

She said that when Meijer tries to fill more of a niche for shoppers with its grocery-focused mini-supercenters, it's a case of "stores trying to be something that they're not," and consumers don't latch on to the concept easily.

She said niche retailers like the discount supermarket chain **Aldi**, **Trader Joe's**, **Whole Foods** or a smaller-footprint Target (because it's "nimble") would do well in downtown Detroit.

"(Retailers are) tempted to want to do something (in downtown Detroit because) it's so under-groceried, and they want to capture that market," Ciura said.