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GROCERY GRIDLOCK?



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Tim VanCleave, above, a carpenter with Allied Construction, cuts metal studs inside the new Hy-Vee store in Peoria on a recent afternoon. The store at Sheridan Village is slated to open this summer, one of a few new or remodeled groceries in the Peoria area. TOP: Workers smooth concrete at the main entrance of the new store.

With Hy-Vee opening its doors this summer, Peorians will have their pick of multiple food stores concentrated in the Lake Street area

PEORIA
C all it Peoria's grocery zone. When Hy-Vee opens its 89,000-square-foot store in Sheridan Village this summer, supermarket concentration in the area north of Lake Street will reach a new high. Across from the Hy-Vee site is a Kroger store in Evergreen Shopping Center, with a Schnuck's nearby at University and Glen. Next door to Schnuck's, there's Naturally Yours Grocery in Metro Centre and Gordon Food Service, 4808 N. University St.

In addition, the Fresh Market recently announced plans to open a 25,000-square-foot grocery in Westlake Shopping Center this fall.

Acknowledging that Peoria's Hy-Vee outlet will be "one of our larger stores," spokeswoman Ruth Comer expects a battle when the store opens.

"It's not at all unusual for other stores to gear up in anticipation of Hy-Vee's arrival. As a new entry in the market, it causes stores to take a look at their operations. We compete against them in other markets. Competition is really good," she said.

New look at Schnucks

Paul Simon, spokesman for St. Louis-based Schnucks, agrees. The changes at

the Schnucks store at 4800 N. University St. are pronounced, he said.

"It's practically a brand new store," said Simon of the remodeling job at the 87,000-square-foot store that is expected to be completed in the next two months.

Because the Peoria Schnucks store opened in 1999, it was due to be remodeled, Simon said. But it's not coincidental that the store's new wing bar and soup kiosk emulate the prepared food outlets planned at the new Hy-Vee.

"That's the direction our society is going in," said Simon of the increase in prepared foods at the supermarket.

Gearing up for the challenge of a new store nearby is nothing new for Cincinnati-based Kroger Co., which operates more than 2,500 stores in 31 states — 11 of them in the Peoria metropolitan area. "We compete with many different



competitors. We do consider (Hy-Vee) a strong, well-balanced company," said Steve Young, vice president of operations for Kroger's central division that's made up of 152 Midwestern stores.

Kroger employs a long-term strategy of continuous improvement at its stores, he said. "We frequently open stores against Wal-Mart and we continue to gain market share in major markets across the country," said Young.

Onslaught of megastores

Wal-Mart, the nation's largest food retailer, is well represented in central Illinois with Supercenters — big-box stores featuring both food and general merchandise — in Peoria, East Peoria, Washington and other surrounding communities.

The dominance of the big-box store was cited in a Journal Star story in 2002 when, after 64 years of operation, the John Bee Food Shop on Prospect Road closed. At the time, owner John Barnhart blamed the closing on the onslaught of megastores in the market.

"The small independent grocer has become a dinosaur. We've been pretty much taken over by the big stores," he said.

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LESLIE RENKEN/JOURNAL STAR

A shiny new epoxy floor dries recently in the deli and main kitchen area of the new Hy-Vee story in Peoria. In the kitchen workers will produce a wide variety of prepared foods for customers to take home or eat in the dining area of the store.

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"When the first Cub store opened (in Glen Hollow Plaza), things started turning downhill for independents; it became a trickle-down effect. We did manage to survive them, but then came Schnucks. And the SuperWal-Mart came in and it was a big kick in the head," said Barnhart.

Is small the new big?

But the trend toward bigger and bigger food stores may change in the future, said Phil Lempert, a Santa Monica, Calif.-based marketing consultant known as the Supermarket Guru.

The average supermarket now offers 50,000 to 55,000 products, which can be overwhelming to many shoppers, said Lempert.

"Three years ago, Wal-Mart researchers found that consumers like the smaller stores like the Fresh & Easy chain, where stores average 10,000 square feet," he said.

"In five years, Wal-Mart may have 10,000 of these smaller stores across the country," said Lempert, noting that the

lower overhead also appeals to companies.

As for the prepared-food boom where shoppers can pick up a fresh pizza or gourmet salad — to take home or eat in a store's dining section — Lempert's not sure that the trend will go much further.

"When it comes to prepared foods, very few operators have gotten it right. Schnucks and Hy-Vee are among those that are doing it right. Wegman's may be the best," he said.

"We know that, during the recession, fewer people were dining out but they were also rediscovering making dinner at home. I'm not sure that prepared food (at the supermarket) has a great future. I think it will stay where it is," said Lempert.

Staying where it is at the Peoria Hy-Vee will mean a veritable in-store food court from which to select a range of ready-made items, said Comer. "Our in-store bakery will be bigger than what you'd normally find at the supermarket. The Hy-Vee Kitchen will also serve up Chinese, Italian and deli items," she said.

The new Hy-Vee is expected to employ 400 people, most part-time, said Comer, adding that Dan Simon has been named the

store manager in Peoria.

Underserved areas

A concentration of grocery stores in one part of town — leaving other parts of the community underserved — is not unusual across the country, said Lempert. "The creation of these 'food deserts,' a lack of healthy options for residents not served by the big grocery chains, is now getting the attention of the White House," he said.

"Right now, Save-A-Lot is the only supermarket going after that market. If federal incentives are provided, look for other players to get involved," said Lempert.

But central Illinois shoppers can look for some healthy competition when Hy-Vee opens in Peoria this summer, he said.

"These three players (Hy-Vee, Schnucks and Kroger) will do everything they can to draw customers. That's good news for consumers. For a three-to six-month period, Peoria customers can look forward to more deals, more coupons and better customer service," said Lempert.

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