



DELIVERING THE GOODS

While Amazon tries to overtake Walmart's supermarket dominance, smaller specialty stores are reinventing the marketplace.

By Steve Kaufman, Contributing Writer

CARLOS R. HERNANDEZ, LOS ANGELES

THERE'S A BATTLE LOOMING FOR DOMINANCE OF THE \$700 billion U.S. grocery and supermarket industry.

For Walmart Stores Inc. (Bentonville, Ark.), more than half of its total revenue – \$270 billion of its \$500 billion – is from its grocery business.

Amazon.com Inc. (Seattle), which recently passed \$200 billion in total revenue, saw its grocery sales grow by nearly 50 percent in the first quarter of 2018, to about \$650 million.

"Jeff Bezos is going after that business," says Lee Peterson, Executive VP, Brand, Strategy & Design, for WD Partners (Dublin, Ohio). "He probably has a dartboard in the Amazon offices with Walmart in the center of the target."

However, while that battle of the giants plays out, there's another eruption occurring in a smaller sector of the market – the advent of specialty groceries that focus on healthy and organic foods, nutrition, quality and service.

"Of the total grocery industry, only 3 percent constitutes specialty local grocery retailers," says David Sheldon, VP, Client Engagement, Retail Design Collaborative (Torrance, Calif.), which has been building grocery stores for more than 40 years. "But, in each location they serve, they're making an impact."

That firm recently worked on the new Santa Monica, Calif., Erehwon Market store. Erehwon is a Los Angeles-based organic grocer and café that now has four area locations, with a fifth on the way.

"We took what we liked about our other three California locations and created a new template for the future," says Yuval Chiprut, the grocer's Head of Development, "an architectural experience that corresponds with our food quality and general philosophy."

With consumer interest in ready-to-eat meals growing, that included exposing the kitchen to the public. "We're proud

This Erehwon location, which opened in April, features a bright, airy interior bathed in natural light. The design works to complement the grocer's philosophy of fresh food and quality service.



DANIEL HORN, BERLIN



Selgros features several interactive touchpoints, like the Brasserie (above), where customers can sample fresh dishes prepared in front of them.

of our prep, our staff, our ingredients," says Chiprut. "If people like our prepared foods, why not show them being prepared?"

According to the store's architect, David Montalba of Montalba Architects (Santa Monica, Calif.), the space also includes tiered planters and vertical metal plant netting as "an emphasis on bringing greenery into the building."

Also, he says, "Natural light is encouraged to flood the interior through carefully placed skylights, and suspended opaque glass softens the light and directs it throughout the grocery floor."

The height and widths of the aisles were specified with the idea of fostering more social engagement between staff and customers, according to Sheldon. "In a time when social engagement matters, Erewhon's offerings are perfectly suited to connect people to people, and people to food," he says.

In Europe, too, mass grocery (known as "cash and carry" – or "C&C") is being affected by specialty approaches featuring quality and service. Even some large-format players, like Selgros Cash & Carry (Neu-Isenburg, Germany), are tinkering with smaller, more specialized formats.

Selgros' latest initiative in suburban Warsaw is Poland's first C&C market with serving counters for meat, cold cuts and cheese. It also has a section called the Brasserie, featuring fresh dishes that are prepared in front of the customers.

"Today, gastronomy is the link between food and culi-

nary enjoyment," says Bernhard Heiden, Creative Director at Interstore AG, the Zürich-based design agency that designed Selgros' Warsaw location. "As a consequence, customers stay longer in the store."

The fresh food departments are the focus of the 93,500-square-foot store (about 20 percent smaller than the normal Selgros supermarket). "We emphasized fish, meat, cheese and produce," Heiden says. "As a result, the single departments appear as specialty sections, similar to a fresh market."

In food retailing all over the world, this character of quality and personal service is challenging mass merchandising. The idea of natural organic foods, inviting stores and outstanding service has become mainstream, especially among millennial consumers. It's a trend that was given force by Whole Foods Market (Austin, Texas), a notion that smaller specialty players acknowledge they're using as a base point. Except, says Erewhon's Chiprut, it's not a "trend" anymore. "Shoppers are looking for a tangible experience along with great product," he says. "It's the new norm."



ULRICH SCHAARSCHMIDT, HAMBURG, GERMANY

UPSCALE OUTLETS

EVEN EUROPEAN OUTLET FOOD RETAILING IS GETTING A NEW LOOK AND FEEL. International baked goods brand Bahlsen GmbH & Co. KG (Hanover, Germany) has opened an upgraded discount store in Broderstorf, Germany.

Outlet stores are not new to Bahlsen, makers of Leibniz biscuits. What's new here is an emphasis on "approachable and inviting," rather than on prices and density of merchandise.

"It was important for us to have a design that would welcome the customer," says Daniel Juric, Unit Lead Creation at the Stuttgart, Germany, retail agency DFrost. "The use of warm wood surfaces, radiating a certain coziness, and a pleasant lighting design are a counterpoint to the high density of goods. It creates a character that does not seem overloaded." ▽