

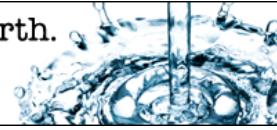
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**Wal-Mart conquers another big market**  
**Area Hispanics now shop there more than at Fiesta or Carnival**

BY HEATHER LANDY  
 STAR-TELEGRAM STAFF WRITER

DALLAS -- It's rarely shocking anymore to watch Wal-Mart assert its dominance over rivals, but the powerhouse retailer has staged a market-share coup in North Texas that may come as a surprise to consumers and competitors alike.

In a recent poll of area Hispanic shoppers, Wal-Mart was ranked the top destination for groceries. That put the discounter above niche favorites Fiesta and Carnival for the first time in the history of the DFW Latino Trendline survey, an annual consumer behavior study by Dallas market research firm Rincón & Associates.

Industry experts say the results tell at least as much about Wal-Mart's merchandising skills as they do about the evolving tastes and acculturation of Hispanic consumers, who consistently listed Fiesta and Carnival as their No. 1 and No. 2 most-visited food retailers in previous years.

"You have to hand it to Wal-Mart, because it isn't like those two chains are just sitting there, dying," said Vic Gallese, a retail specialist with Deloitte Consulting in Irving. "Sometimes it's just several little things that you do right, things that sometimes seemingly go unnoticed, that make a difference."

In the Rincón study, a telephone survey of 600 Latino adults in North Texas, Wal-Mart jumped from the ninth-most-visited grocer in 2001 to the fourth-most-visited in 2004. By 2005, Wal-Mart surpassed Kroger, Albertsons and Sack 'n Save, leaving only Fiesta and Carnival with more market share -- until now.

Fiesta still has a considerable edge over Wal-Mart among foreign-born Hispanics: 28.1 percent listed Fiesta this year as their top destination for food, compared with 19.8 percent for Wal-Mart and 18.2 percent for Carnival.

But among U.S.-born Hispanics, Wal-Mart was the runaway favorite with a 30.2 percent share, versus 12.9 percent for Fiesta and 15.3 percent for Carnival.

"The highly dense Hispanic neighborhoods where Fiesta and Carnival are also where the foreign-born Hispanics concentrate, and so they're the ones who are more likely to be shopping at Fiesta and Carnival," said Edward Rincón, president of Rincón & Associates. Foreign-born Hispanics also tend to be more loyal to familiar brands, he said.

"With Wal-Mart, which is not necessarily in those key, high-density locations, what they have to offer above all else is a pricing strategy, and native-born Latinos are more price-conscious," he said. "They're willing to trade off some of the cultural dimensions of their shopping traditions in favor of good pricing."

Hispanics are an important piece of the North Texas grocery market, spending \$2.3 billion annually -- a figure that will grow as the population of Hispanics in the metropolitan area increases from less than 1.5 million in 2005 to an estimated 3.6 million in 2020, according to Rincón. And because Hispanics tend to have larger families and cook at home, they spend about \$100 a month more than non-Hispanics on groceries.



STAR-TELEGRAM/M.L. GRAY

The Wal-Mart in the Oak Cliff area of Dallas has merchandise and displays that specifically target Hispanic shoppers.



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A spokesman for Houston-based Fiesta declined to comment on the market share trends, and an executive with the Carnival division of Minyard, a regional chain owned by private investors, did not return a phone call.

Low prices also have bolstered Wal-Mart's food business among the broader population in North Texas, where about a third of the money spent on groceries is spent at Wal-Mart stores. But to gain additional share, the company is now taking a more tailored approach to retailing, abandoning some of its cookie-cutter merchandising and display methods to cater to the specific needs of local customers.

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Wal-Mart has increased the quality of its produce in recent years, with distribution improvements that allow for faster replenishment. It has also added check-cashing and money-wiring services that appeal to immigrant workers who don't have bank accounts or who send money home to their families. Additionally, the company has in recent years opened stores in urban areas more likely populated by Latinos.

**Catering to customers**

At the Wal-Mart Supercenter on North Cockrell Hill Road and Interstate 30 in the Oak Cliff section of Dallas, the products closest to the entrance to the grocery department are corn, onions, tomatoes, avocados and jalapeño peppers, piled high in bins, market-style.

Nearby is a large stack of boxes containing bottles of TopoChico, a mineral water from Mexico. In the bakery department, fresh wheat bolillo rolls are strategically placed in front, and two giant racks of tortillas in several varieties and brands serve as a gateway to the meat department.

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The displays are similar to those at the Supercenter at Texas 121 and North Beach Street in Fort Worth, which has a large Hispanic customer base, but different from those at a Wal-Mart in Plano or Grapevine or southwest Fort Worth.

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Lee Ruiz, who manages the Cockrell Hill location, said the merchandising speaks directly to the demographics of his store, which at 80 percent to 85 percent has one of the highest concentrations of Hispanic customers among all Wal-Marts in North Texas.

The store stands out from the typical Wal-Mart in other ways, too.

While the busiest day of the week for most Supercenters is Saturday, Ruiz said Sundays are biggest days at the Cockrell Hill store, typically topping Saturday sales by about \$40,000. Ruiz suspects that's because Saturday, for many of his customers, is a workday, a payday or a day to spend at garage sales or flea markets.

On Sundays, a post-church trip to the grocery store often is a family affair for Ruiz's customers.

Ruiz adjusts his staffing to cover the busiest times for the 203,000-square-foot store. And the makeup of the staff itself also may explain how Wal-Mart has ingratiated itself among Latino consumers.

"To run these stores and to be able to have what the customer is looking for, you've really got to understand the background," said Ruiz, a Lubbock native and a son of Mexican immigrants. He has worked at Wal-Mart for 21 years in markets including San Francisco and El Paso, and joined the Cockrell Hill store three years ago, about a year after it opened.

"I was not raised speaking Spanish very well, but when I went to California I had to learn it, and when I went to El Paso I really had to learn it," Ruiz said.

Most of the 560 employees at his store are either Hispanic or African-American, the other major population group the Cockrell Hill store serves.

Wal-Mart doesn't pay extra for bilingual skills, but Ruiz said the company tries to assist customers by having Spanish speakers on staff and by providing Spanish translations on most store signs. "*Siempre precios bajos*" is printed at the bottom of the placards featuring the Wal-Mart slogan, "Always low prices. Always."

The translations are typically in small lettering and are not particularly obvious to the average shopper. Rincón said Wal-Mart has two good reasons to avoid going overboard with Spanish translations: First, U.S.-born Hispanics typically prefer to use English. Second, retailers going after Hispanic customers need to make sure they don't alienate other consumers.

"Food is one thing, but when you start offering other special products or services, is it going to make non-Hispanic customers uncomfortable to the point that they don't want to be there? Do African-Americans and whites want to listen to the Tejano music they play at Fiesta?" Rincón said. "Some might not mind, but it's important to do the research at the front end to gauge the community."

**Room for competition**

With so many other customers to serve and so many other kinds of merchandise to pack into its stores, Wal-Mart may never be able to offer as many varieties of peppers or as many specialty cuts of meat as niche players like Fiesta and Carnival can. But a focus on key items and a promise to match competitors' sale prices, along with the lure of a broad variety of nonfood items, has been enough to win over shoppers like Daniel Ruiz, who said his family visits the Cockrell Hill store at least two or three times a week.

Ruiz, the Texas-born son of Mexican parents and no relation to the store's manager, said his mother likes to shop frequently so she has fresh ingredients when she makes the seafood dishes she grew up with on Mexico's eastern coast.

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"She's able to find most of the things she's looking for," said Ruiz, 20.

But the family still goes to Carnival or Fiesta on occasion for certain items, he said.

Carnival has been closing older stores, like the one on Eighth Avenue in Fort Worth's Fairmount neighborhood, and is laying plans for a wave of "flagship" stores. Those stores will have a more upscale look, along with expansive bakery and prepared-food departments similar to what shoppers might expect at gourmet stores like Central Market.

The first flagship store opened last year in Oak Cliff. In a question-and-answer-style fact sheet announcing the concept's debut, Carnival executives themselves posed the question of how they would respond to Wal-Mart's strides among Hispanic shoppers.

"We are prepared to compete," the company declared, saying it offered a unique shopping environment, a wide range of ethnic foods and a helpful staff. "We know our customers better than most," the statement continued. "We have more experience meeting our customer's specific needs."

Carnival plans to build two large-format stores in south Fort Worth next year.

Analysts say the North Texas market is large enough to support several competitors. But Fiesta and Carnival may need to adjust their playbooks as Wal-Mart gains more clout among their core Latino customers.

"There's room for at least two really good operators; after that it could be tough," Deloitte's Gallese said. "Our population growth is one thing that makes room for additional players. In areas of the country where the population isn't booming, it could be tough just because there's flat or slow growth. But you don't see that in Texas, which is why it's still inviting for retailers to come on down even in the face of all that competition."

**LATINO PREFERENCES**

Rincón & Associates interviewed 600 North Texas Latinos about their shopping behaviors across a variety of merchandise categories. Here is a sampling of the results:

**Which supermarket did you visit most in the past month?**

Chain	Market share
Wal-Mart	23.5%
Fiesta	22.8%
Carnival	17.2%
Kroger	3.7%
Albertsons	3.5%

**Where did you shop most often in the past year for home appliances?**

Store	Market share
Sears	18.8%
Wal-Mart	14.6%
The Home Depot	7.9%
Best Buy	7.4%
Lowe's	3.7%

**Where did you shop most often in the past year for children's clothes?**

Store	Market share
Wal-Mart	29.2%
J.C. Penney	14.6%
Sears	10.4%
Ross	9.6%
Target	9.4%

**Which bank handles most of your financial needs?**



	Market share
Bank of America	25.6%
Bank One/Chase	16.5%
Wells Fargo	8.7%
Washington Mutual	4.3%
Credit unions	3.6%

Source: Rincón & Associates

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