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## Winn-Dixie's remodeled Government Street store to be template for others

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**Jeff Amy, Press-Register**  
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(Press-Register/Bill Starling)

Bob Fennessy, District Manager for Winn-Dixie, talks to a reporter in the newly renovated Winn-Dixie at the corner of Government and Catherine Streets in midtown Mobile Thursday, Sept. 23, 2010. Winn-Dixie is using the \$4 million remodeling of the store as a template for extensive reworkings at many of its 485 supermarkets.

MOBILE, Ala. -- The Winn-Dixie at Catherine and Government streets was a problem child.

For more than a decade, back to when it was a Delchamps, neighbors had complained about the wilted produce, paltry selection and general dilapidation at the Midtown Mobile supermarket. All that time, executives promised that changes were coming.

Now, Winn-Dixie is staking its future on an effort that begins with the \$4 million makeover of what Chief Executive Officer Peter Lynch acknowledged was a "lousy store."

The Jacksonville, Fla., company plans to use the Mobile renovation, along with two new locations built in Covington, La., and Margate, Fla., as templates for extensive reworks at many of its 485 supermarkets. The

changes are meant to win new customers and boost sales, positioning Winn-Dixie Stores as a viable competitor to Walmart Stores and Publix Super Markets.

"The store in Mobile is important," said Lynch, interviewed before he visited Mobile on Thursday to christen the store. "It really will become a showplace for the direction Winn-Dixie is taking the company.

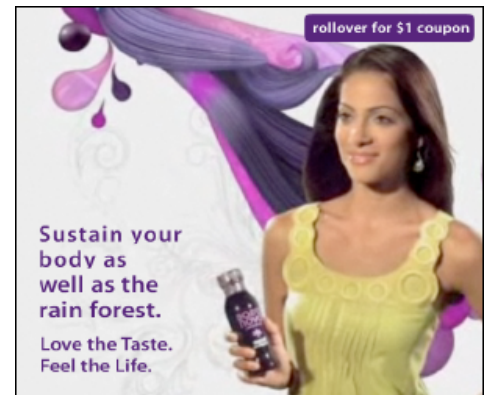
Employees sum up the vision with the phrase "fresh and local."

It starts outside, with displays of flowers, fruits and vegetables.

"It's brand-new shopping carts, it's fresh produce, it's showing the best of Winn-Dixie even before you get in the store," said Bob Fennessy, who manages 24 stores from Pensacola to Mobile.

Inside a new entrance, the store has grown from 34,000 square feet to 42,000, spreading out into

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Inside a new entrance, the store has grown from 37,000 square feet to 72,000, spreading out into a former Rite-Aid.

The drugstore space is now stuffed with a florist shop, expanded wine and beer selection, a deli, a bakery — and most importantly — produce.

Piling on the nopales, ginger root and plantains seems to be working. Just ask Danielle Juzan, a South Georgia Avenue resident who rhapsodized about the changes in the Oakleigh Garden District newsletter over the summer.

"I don't know why I'm so enthusiastic about it," she said, before running down her shopping list, rattling off the fancy edibles she bought on her last trip — "watercress, fennel, Napa cabbage, goat cheese, good Parmesan cheese, tomatillos, tofu, shallots ..."

"I've been through thick and thin, making do," Juzan said of the years she's shopped at the grocery. "I figured if we didn't spend money there, they would never be able to renovate."

But she also admits to two-timing the neighborhood store, making big runs out to the Bruno's at Airport and University boulevards.

Getting more people to make Winn-Dixie their main squeeze is one of the goals, Lynch said.

There's also a push into prepared foods, as Winn-Dixie competes not only with grocers but also with restaurants. After wavering over whether to install a salad bar, executives went ahead, and found that it's a roaring success, attracting downtown office workers.

"The salad bar alone does what an average deli does for Winn-Dixie," Fennessy said.

That led to a carving station and a barbecue bar — plus sushi at the fish counter — expanding the options to buy ready-to-eat meals.

There are 40 workers in the deli alone, and total employment has jumped from 85 to 156, said store director Heath Edwards. Sales are taking off, too. "I don't think we're anywhere near the ceiling yet," he said.

Pumping up sales is the point of the renovation. Right now, the average Winn-Dixie bags up about \$14 million in sales a year. The average Publix, by comparison, rings up about \$24 million.

Since 2007, Winn-Dixie has renovated 220 stores, including 12 in the Mobile-Pensacola region, using a less dramatic approach that costs about \$2 million a store. But it has yielded only a 7 percent sales bump, on average.

Lynch told analysts in a conference call last month that the new Louisiana and Florida stores had the roughly \$470 in sales per square foot that's average for U.S. supermarkets. The average Winn-Dixie sells but \$300 per square foot.

"That is one of the obstacles that Winn-Dixie had for a long time, was the low average sales per square foot," Lynch said. "This is a home run."

Lynch has been trying to steer Winn-Dixie to such a turnaround since his

Where Winn-Dixie stacks up:

Mobile County:

- **Walmart Stores** (including Sam's Club and Neighborhood Markets): 49.3 percent
- **Winn-Dixie**: 20 percent
- **Bruno's/Food World**: 11 percent
- **All others**: 19.7 percent

Baldwin County:

- **Walmart Stores** (including Sam's Club): 54.9 percent
- **Winn-Dixie**: 19.5 percent
- **Publix**: 14 percent
- **Bruno's/Food World**: 6 percent
- **All others**: 5.6 percent

Source: Chain Store Guide

Winn-Dixie government and catherine streets.JPG

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(Press-Register/Bill Starling)

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arrival in 2004. Attacked on the discount end by Walmart and the pricey end by Publix, Winn-Dixie filed for bankruptcy in 2005. The firm has steadied since exiting reorganization, but closed another 30 stores this summer and streamlined corporate operations.

The newly renovated Winn-Dixie at the corner of Government Street and Catherine St. in mid-town Mobile is seen Friday, Sept. 24, 2010.

None of the closures were in southwest Alabama, even though Walmart dominates and Publix has marched westward in the last few years. The Lakeland, Fla., chain already has 15 percent of the Baldwin County market, according to Chain Store Guide, even before opening its fourth Baldwin store in Daphne. Landlords continue to pitch Mobile County sites to Publix, without success thus far.

Nationally, the recession sparked a price war among food sellers, with existing-store sales falling as firms competed for hard-pressed customers.

Supermarkets have been absorbing price increases rather than passing them on. Retail food prices were 0.1 percent higher in August than a year before, according to the Food Institute, while wholesale prices were 3.8 percent higher.

"I think it's been a pretty hard time," Lynch said.

Winn-Dixie still managed to make a \$28.9 million profit in the year ended June 30. And it exited bankruptcy with cash after wiping out debt.

"I take a lot of comfort that they have no debt and they're sitting on cash," said Meredith Adler, an analyst with Barclays Capital.

But the money pile is slowly dwindling, and Winn-Dixie said in August that it would give up some profit margin to lower some prices, seeking to lift same-store sales. "I need something to jump-start it," said Lynch, who promised a "measured" approach, not a repeat of the losses the chain took on advertised specials in spring 2008.

That leaves the grocer in a tough spot, some analysts say.

"Winn-Dixie faces many challenges: a tough environment, a capital-starved store base, a challenged consumer and tough competition," wrote Karen Short of BMO Capital Markets. "Management continues to navigate the challenges extremely well — but until the environment improves, we see little reason to believe performance will improve. So for now the company must continue to execute on its strategy with the hope that performance follows once the environment improves."

That's the big-picture snapshot. Back at the corner of Catherine and Government, the view is happier. "We think of this as more a transformation than a remodel," said Edwards, the store director.

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**AL Carpetbagger**

October 05, 2010 at 9:22AM

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Prior to the renovation, I shopped only reluctantly at this Winn Dixie. After the renovation, I grocery shop there exclusively. I hope that the post-renovation improvement in quality of produce and service endures. It would be nice if grocery cart receptacles were placed in the parking lot so that customers do not have to walk there carts back to the store (or as some of the lazier customers do, leave them in the middle of an adjacent parking space). But such is a trifle relative to the overall improvement.

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**100001**

October 05, 2010 at 9:51AM

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Very suburban looking and not a design well-suited to the area. But it's a step in the right direction and beter than before!

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**5020003**

October 05, 2010 at 11:56AM

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I've given up the ghost on the city enforcing any kind of zoning or architectural standards in that area of midtown, despite the historic nature of everything surrounding the shopping centers at Gov't and Catherine. I think the best we can hope for is a slightly better version of suburban sprawl development.

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**MidMob99**

October 05, 2010 at 2:14PM

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If I'm not mistaken, they drew the historic districts' boundaries to exclude the commercial properties on Gov't St. So there's no legal obligation for these businesses to do anything for the city. I think they only way they could have made it fit in with the neighborhood would have been to tear it down and start from scratch. But I think they did OK with it. It's definitely better than the Dollar Tree/Office Depot next door.

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**slowboat**

October 05, 2010 at 11:50AM

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It was and is a sorry @\$\$ store with HIGH prices just like ALL the Winn-Dixies are!!

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**kmf2279**

October 05, 2010 at 1:58PM

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I am in love with our new Winn-Dixie. I hate going to Walmart, Food World is horrible, and there was nothing else decent around. Myself and my neighbors will definitely be shopping here exclusively.

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**tidentmobile**

October 05, 2010 at 3:34PM

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Heres why I stopped shopping Winn Dixie.... Ill use my last receipt from 8-08-10 for an example: Digornos Pizza WD: \$7.19 - \$4.99 at Wal Mart Michelinas TV DInner WD:\$1.69 - \$1.08 Walmart 100 count store brand advil WD:\$5.89 -- \$4.00 (for 2 pack) Walmart Bell Peppers WD: \$1.19 -- Wal mart \$0.67

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**TigerBlender**

October 05, 2010 at 7:53PM

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This was truly a crack dixie for years. I've been twice since the remodel and it is truly a great store. Whoever said midtown is a ghetto must not live here, because there are lots of Middle class families that live in these neighborhoods that had to drive out to schillingers to shop at a decent store.

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