



The British grocery invasion Tesco's Fresh & Easy markets to test U.S. shopping habits

By Matt Andrejczak, MarketWatch
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SAN FRANCISCO (MarketWatch) -- After nosing around U.S. kitchens and refrigerators for nearly three years, Britain's biggest food retailer is putting its conclusions -- along with American shopping habits and meal preferences -- to the test in bringing a new grocery-store format to the western U.S. this month.

Tesco is opening 11 Fresh & Easy Neighborhood Market stores, with six Los Angeles-area stores debuting Thursday, followed by five Las Vegas stores Nov. 14. Other openings are slated for San Diego and Phoenix by year-end.

Industry observers are labeling the Fresh & Easy launch the most closely watched grocery opening in years, with the arrival of the new concept potentially impacting a wide range of food retailers.

"It is without question the most widely anticipated concept to come into retailing since Wal-Mart opened their supercenters," said Neil Stern, senior partner at McMillan Doolittle, a retail consulting firm. "It's got everybody apprehensive, from convenience stores to drugstores to supermarkets."

Fresh & Easy: Planned openings	
Nov. 8	Los Angeles Anaheim Arcadia Hemet West Covina Upland
Nov. 14	Las Vegas (5 stores)
Before Jan. 1, 2008	San Diego (7 stores) Phoenix

Data: Fresh & Easy

To woo customers, the Fresh & Easy playbook calls for ready-to-eat meals, fresh products, affordability and convenience.

Fresh & Easy plans to sell a number of fresh-prepared meals under its own label, a growing trend in U.S. grocery stores. At the same time, a select number of staple items will be available, such as produce, meat, dairy and even household cleaning supplies.

Shoppers can select a 17-ounce Pad Thai for \$3.99, a fully cooked 16-ounce chicken breast for \$4.99 or 17-ounce heat-and-serve macaroni and cheese for \$2.99. Also on the shelves: sushi, pizza, salmon, smoothies, coffee, wine and guava juice, according to a sample list and short video on the Fresh & Easy Web site.

And to speed things along, shoppers are to use self-service checkouts similar to those at Wal-Mart (WMT: Wal-Mart Stores, Inc) stores.

"The desire here is to make life easier. I think they are on target with that," said Harry Balzer, who tracks eating habits for market researcher NPD Group.

Fewer items, higher traffic

Tesco ([UK:TSCO: news, chart, profile](#)) is going big in its first U.S. foray, with 250 stores on its radar. The price tag for the venture -- at least 30 months in the making -- is more than \$500 million for this year alone.

The retailer has unveiled 122 planned store locations to date, with 30 slated to open by year-end, including unnamed sites in San Diego and Phoenix. Trucks will ship goods to the stores from a solar-powered distribution center located just east of Los Angeles in Riverside, Calif.

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Fresh & Easy will contrast with traditional supermarkets in store size and the number of items in stock. Stores will be compact, around 10,000 square feet. The average footprint of bigger grocers, such as Safeway ([SWY: Safeway Inc](#)) and Kroger ([KR: The Kroger Co.](#)), is around 45,000 square feet.

In a bid to keep costs low, Fresh & Easy will sell far fewer items -- approximately 3,000, versus the 30,000 to 40,000 on the shelves of a typical U.S. supermarket -- also playing on shopping trends. Herb Sorensen, who has tracked the supermarket business for more than three decades, said Fresh & Easy is consciously pursuing quick-trip shoppers. "They are looking to get frequent traffic and smaller baskets," said Sorensen, who studies shopper insights at TNS North America. "Short trippers spend money rapidly."

Move over, Trader Joe's

Fresh & Easy's approach isn't entirely novel.

Ahead of its launch, Fresh & Easy is drawing comparisons to privately held Trader Joe's, the value-conscious operator of 280 stores in 23 states, which shares ownership with the relatively downmarket German-based chain Aldi.

Trader Joe's, where employees sport Hawaiian-style shirts and an easygoing vibe, sells a range of prepared meals and fresh foods, mostly buying directly from suppliers, eliminating middlemen. It also emphasizes organic foods, hormone-free meat and poultry.

In recent years, traditional supermarkets have been moving more in the direction of fresh, prepared meals and selling organic goods, especially with the rise of Whole Foods Markets Inc. (WFMI: Whole Foods Market Inc), which acquired rival Wild Oats Markets in August.

Florida's Publix Super Markets unveiled its Apron's Make-Ahead Meals program at one of its Jacksonville, Fla., stores this month. Shoppers can prepare their own meals using Publix ingredients and recipes at meal-assembly stations. A package of six dinners starts at \$120.

And Wal-Mart is said to be weighing smaller-store concepts to sell groceries, particularly in California, where it has faced problems finding real estate for its oversized retail stores.

So far, Fresh & Easy said it has hired more than 1,000 employees. It's offering health and retirement benefits to workers, with entry-level positions starting at \$10 an hour. Fresh & Easy also is using LED lighting to cut its energy output by about 30%.

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