

## **Winn-Dixie sold to Carolina firm Times-Picayune**

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Winn-Dixie Stores, which operates 35 groceries in the New Orleans area, will be sold to Bi-Lo LLC for \$560 million, the companies said Monday.

Although the deal puts one of the metro area's largest grocery operations under new ownership, the Winn-Dixie name will live on. Bi-Lo, which is based in South Carolina, and Winn-Dixie plan to continue operating under their respective banners even after the merger is complete. No stores will close as a result of the deal.

The deal allows Bi-Lo, which has 207 stores in North and South Carolina, Georgia and Tennessee, to expand its holdings deep into the Gulf South. Winn-Dixie, which is based in Jacksonville, Fla., runs about 480 grocery stores in Florida, Alabama, Louisiana, Georgia and Mississippi.

Bi-Lo chairman Randall Onstead said in a phone interview that the New Orleans market is of particular interest to his company.

"One of the reasons that we're attracted to (Winn-Dixie) is because it has a strong presence in so many markets, but particularly in New Orleans," said Onstead, who has visited most of the grocery stores in the Crescent City, including those not owned by Winn-Dixie. "New Orleans and the surrounding areas are some of our better markets. Our plans would be to continue to grow there."

One of the main reasons New Orleans is such a strong grocery market, Onstead said, is that people in south Louisiana still like to eat at home.

"They like to cook at home. They celebrate food," he said. "Because of that, it is a very strong grocery-shopping market."

Mary Kellmanson, group vice president of marketing for Winn-Dixie, said the deal will allow stores in her chain to reap some of the benefits that come with being part of a larger company.

"It will allow us to have greater buying power. We'll be able to offer a wider variety of products. And we'll continue to give back to our community," she said.

Onstead says he is aware of the nuances of the New Orleans-area grocery market, where local chains like the rapidly expanding Rouses Food Market have distinguished themselves.

Earlier in his career, Onstead worked for Randall's Food Markets Inc., a Texas supermarket chain that his family started and sold to Safeway in 1999. Like Rouses, Onstead said, Randall's was in tune with the local community and focused on carrying local products. Onstead said Winn-Dixie will use those same strategies as it competes in New Orleans.

Burt P. Flickinger III, managing director of the retail research company Strategic Resource Group in New York City, said it will be critical for the combined grocery company to invest in its stores in New Orleans and elsewhere.

"To compete, it's going to be essential for Winn-Dixie to commit more capital to their stores," he said.

Flickinger also said other retailers will likely try to swoop in and woo Winn-Dixie shoppers during the transition period. Even Target, a general merchandise retailer, will be courting grocery shoppers because it will be expanding its metro area stores to begin carrying fresh groceries, he said. Dollar stores and even pharmacy stores with expanding food offerings will also be vying for shoppers.

"Those other chains have developed a tremendous amount of momentum in shifting shoppers," he said.

Kellmanson said Winn-Dixie will continue moving forward with new stores and remodeling projects it already had on the books at the time of the merger. In fact, Winn-Dixie still plans to move forward with construction next year on a new store on Carrollton Avenue that will anchor a new shopping center called **Mid-City Market**.

Townsend Underhill, vice president for development at Stirling Properties, which is developing Mid-City Market, said he spoke with Winn-Dixie Monday morning and was assured that the grocery intends to move forward with the new store.

"That project is still full steam ahead," he said.

Under terms of the deal, Winn-Dixie shareholders will receive \$9.50 in cash for each share of common stock they hold. Winn-Dixie will become a privately held subsidiary of Bi-Lo, and its common stock will stop trading on the Nasdaq.

The combined company will employ 63,000 people and operate roughly 690 stores in eight states.

Onstead said the combination of the grocery companies is a good geographic fit because the markets the two serve are contiguous but don't overlap.

"With no overlap in our markets, the combined company will have a perfect geographic fit that will create a stronger platform from which to provide our customers great products at a great value, while continuing to offer exceptional service," he said.

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