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Food Lion makes offer to buy the Bi-Lo chain

Sale, which could rest with bankruptcy court, likely would bring store closings and job losses.

By Jen Aronoff

After decades of serving shoppers, a familiar Carolinas grocery name could soon disappear from the landscape: Bi-Lo, which filed for Chapter 11 bankruptcy this spring, may be sold to Salisbury-based Food Lion.

Food Lion, part of Belgian retailer Delhaize Group, announced Monday that it is offering \$425 million in cash for "a substantial majority" of Bi-Lo. If the deal goes through, it will almost certainly lead to consolidation and closures in areas where Food Lion and Bi-Lo stores are near each other, analysts said.

Headquartered in Mauldin, S.C., outside of Greenville, Bi-Lo has 214 stores and employs about 15,500 people in the Carolinas, Georgia and Tennessee. Food Lion has stores in those states and seven others.

The two companies declined to provide details on the proposal Monday, saying that it still must receive approval from a federal bankruptcy court. Other offers are also still a possibility.

In areas where a combined Food Lion/Bi-Lo would dwarf competitors, the company may have to divest stores. Remaining locations would likely be rebranded as Food Lion, Bloom or Bottom Dollar stores, they said.

Bi-Lo has been in the Charlotte area since the 1970s and currently operates about 30 stores here, but it has never been a dominant player. It currently ranks fourth in market share by sales, with 10.6 percent. Food Lion ranks third, with roughly 20 percent, though it has by far the most local stores of any grocer, with 78. Harris Teeter is the market leader, while Wal-Mart is close behind, both with about 27 percent.

Bi-Lo's rank in the marketplace locally exemplifies the challenges it has faced as a company. While Harris Teeter and Wal-Mart have carved out well-defined niches serving higher-end and bargain-hunting customers, Bi-Lo has struggled to find its place in the middle. The company has also endured unstable ownership: Once part of Dutch retailing giant Ahold, it is now owned by a private-equity firm.

"Bi-Lo needed a white knight to come in," supermarket consultant Matthew Casey said. "They weren't going to continue as they were."

Though Bi-Lo has positioned itself as slightly more upscale than Food Lion - and tends to operate larger stores - the two chains are traditional grocers that serve similar customer bases, said Lorrie Griffith, editor of the Shelby Report, an industry publication. That makes them a good fit together, she said.

Buying Bi-Lo would help Food Lion remain competitive, giving it greater buying power and strengthening its presence in South Carolina, supermarket consultant David Livingston said. But

that alone isn't going to propel it past Harris Teeter and Wal-Mart in the Charlotte market, he said. Some Bi-Lo customers will depart for other chains, leaving Food Lion still in third place, though with the addition of about half of Bi-Lo's old market share, he predicted.

"(Bi-Lo and Food Lion) are not in the same league as Harris Teeter or Wal-Mart," he said.

"When you have average combining with average, you're still going to get average."

That, experts said, reinforces the importance of establishing an identity in customers' minds.

"You must find your niche," Griffith said. "You must find who your shopper is and go after them with everything you've got."

The next steps for Bi-Lo will play out in U.S. bankruptcy court in Spartanburg. There, Judge Helen Burris will weigh proposals for the company's future, with the aim of providing the most value to the company's creditors and other constituencies.