

Hispanic grocers grab market share

Hispanic supermarkets open in San Diego

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Northgate Gonzalez opened its seventh store in San Diego County in October with a big party including a massive cake, mariachi music and grocery giveaways. — John Gastaldo



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Hispanic “supermercados” are springing up around the nation and competing on price and product mix with small bodegas and mainstream supermarkets alike.

Demographic shifts are driving development of these retail stores, which often boast on-site tortilla factories, premium meat and seafood sections, and hot-food bars. **See our photo gallery of the newest one: [Northgate Gonzalez opens in City Heights]**

About 1 in 3 San Diego residents is Hispanic, up from around 1 in 4 a decade ago, according to 2010 census data. The U.S. Hispanic food and beverage market is \$7 billion and is expected to reach \$10 billion in 2014, according to market research by Rockville, Md.-based Packaged Facts.

Supermarket operators want a share of that spending. In San Diego County alone, at least a dozen Latin supermarkets have popped up in the past decade, sometimes in space vacated by mainstream supermarkets. The store operators include **Northgate Gonzalez, Vallarta, El Super, and independent grocers.**

Most of the Hispanic grocery chains are privately held “strong family companies,” said Ron Pepper, founder of San Diego-based **Retail Insite**, a commercial brokerage specializing in retail that has worked with some of the companies. “They’re very disciplined on how they do their pricing and they know how to cater to the Hispanic community.”

Latin flair

Growth in the Hispanic middle class is fueling consumer demand for high-quality food choices with an ethnic flair, such as organic cilantro, premium beef marinated for grilling or top-shelf Mexican cognac, analysts said.

It’s a huge, huge growth area,” said Garrick Brown, research director for Burlingame-based **Terranomics Retail Services**, the retail division of a commercial brokerage firm. “More and more people are seeing that this is something where if you do it right, it really drives the dollars in.”

These stores have lots of room to grow, starting in markets such as San Diego, San Antonio and Los Angeles, he said.

“The losers are going to be the middle-of-the-road guys: the Safeways,

Vallarta opened in 2008 in a former Ralphs store in Escondido. — Alexandra Mendoza / San Diego Red



James Corona was one of the 150 people hired to work at the Vallarta Supermarket that opened in January in National City. — Leonel Sanchez / San Diego Red

New local stores include:

- Anaheim-based Northgate Gonzalez has opened seven county stores since entering the San Diego market in 2003, including one in October in space formerly occupied by Kmart and Sears in City Heights. An eighth store is scheduled for Barrio Logan.
- El Super made its first foray into the San Diego market last year, opening a National City store in a former Mervyn’s. The chain is based in Paramount and is part of Grupo Chedraui, one of the largest retail chains in Mexico.
- Vallarta opened an Escondido store in 2008 and added a National City store this year, both in spaces vacated by Ralphs. The Sylmar-based company says on its website that it plans to grow at a rate of three stores per year.
- Foodland IGA, an independent grocer, opened early this year in Chula Vista in a former Seafood City supermarket that relocated.

Vons, Kroger stores," he said.

Publix Super Markets, a Florida-based chain, has been expanding its Sabor division of grocery stores primarily targeting Hispanics, and those stores are out-performing its original stores. And the "Supermercado de Walmart" in Houston is hugely successful, Brown said.

Other grocery chains have tested "Hispanic-format" markets. In 2003, for example, Albertsons opened a Super Saver, in San Ysidro, but closed it when that format was phased out a few years later, according to a company spokeswoman.

Some stores make the mistake of targeting only the recent-immigrant shoppers and failing to attract U.S.-born Hispanics, including college-educated professionals who consider themselves American and remain connected to Hispanic culture, said Brown. "There's really an underserved Hispanic community out there and that's the middle-class Hispanic," he said.

Broad appeal

The larger stores strive to appeal to a diverse group: recent immigrants; second- and third-generation Latinos; and the mainstream customer who would normally go to Ralphs, Vons and Albertsons.

So they offer ethnic foods such as Herdez salsa and cactus fronds ("nopales"), next to U.S. staples such as Gerber baby food and pre-washed salad mix. Meat departments carry special cuts of meat, such as mutton for barbecue, and store-made chorizo. There's an emphasis on freshly prepared food such as house-made salsa, along with tacos and soups. There is usually a bakery with ethnic breads and decorated cakes.

To attract customers of all ages, they present a lively format, with upbeat music, festive decorations such as piñatas and sometimes wide aisles to accommodate families shopping together.

"There's a strong focus on communication with the customer," said Arturo Sneider, partner in Primestor Properties in Los Angeles, a real estate development and management firm that works in the Hispanic market space. "It's designed for that family experience with more of a raw, natural state of affairs than the somewhat sterile environment of other stores."

The holy grail is a supermarket that also attracts "Anglo" shoppers, and some stores appear to be giving the traditional chains a run for their money. Food 4 Less in National City, for example, views El Super down the street as its main competition, as shown by its prominently displayed price-comparison signs.

Northgate Gonzalez strives for that broad-based appeal, said its chief executive, Miguel Gonzalez.

"Instead of us being a Hispanic grocery store," he said, "we're a Hispanic grocery store that says: 'Welcome to Mexico.'"

Some local Hispanic supermarkets

SAN DIEGO

- Foodland Mercado IGA: 5075 Federal Blvd.
- Eduardo's Mercado IGA: 3175 National Ave.
- Foodland Mercado IGA: 3550 National Ave.
- Northgate González Markets: 5405 University Ave.
- Northgate González Markets: 1410 S. 43rd St.
- Northgate González Markets: 2909 Coronado Ave.
- Northgate González Markets: Barrio Logan (coming soon)

NATIONAL CITY

- Foodland Mercado IGA: 303 Highland St.
- El Super: 3700 Highland Ave.
- Vallarta: 901 S. Euclid Ave.

CHULA VISTA

- Hometown Market IGA: 646 E St.
- Foodland IGA: 1340 Third Ave.
- Northgate González Markets: 1058 Third Ave.

ESCONDIDO

- Mi Pueblo Escondido Super Mercado IGA: 1516 East Valley Parkway
- Northgate González Markets: 606 N. Escondido Blvd.
- Vallarta: 1315 East Valley Parkway

EL CAJON

- Foodland Mercado IGA: 1099 E. Main St.

VISTA

- Northgate González Markets: 1150 E. Vista Way

FALLBROOK

- Northgate González Markets: 1346 S. Mission Road