

Introduction – Business Problem

By Tom Roush

The largest grocery retailer in Texas is HEB, which stands for Here Everything is Better. Texas is a growth state with strong forecasts for the future, and HEB is already positioned for sustainable growth in its home market.

However, HEB is interested in expanding in to other markets and building the brand in the cities of North America where there is large populations but smaller and weaker grocery store penetration. HEB research indicates these cities have a retail grocery sector that has not kept up with store layout, look, grocery selection, or use of technology and are therefore, ripe for colonization. In fact, this is what HEB did in Texas by getting to the right locations and opening very large spaces; eventually, size and selection won out and the smaller weaker chains closed.

These cities not only have the strong business potential because of weaker competition, but they also have the ability to brand HEB in the source populations that will be moving south, possibly to Texas, in the coming decade. So, while populations may be declining in the northern tier, there is opportunity to grow business there and build loyal customers who later move south.

New York City is a good place to start this northern expansion. It is the capital of the US in a sense and models other northern cities. As a test market, there are ample learning opportunities as well as the potential for growth and expansion. All that remains is to figure out where to open the first location.

The only two criteria HEB wants to start with is population density and amount of competition so the initial algorithm will be a simple search for the parts of town where there is lots of people and not a lot of grocery stores.