

## H-E-B announces Austin expansions, Texas growth

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H. E. Butt Grocery Co. is spending about \$100 million to expand, relocate and remodel several of its Austin-area stores this year part of a larger, statewide expansion and price-cutting campaign.

It's the largest-ever Austin investment for the grocery chain, which also expects to hire about 1,000 workers in Central Texas during 2012, according to President Craig Boyan .

"Our business continues to be strong, and so this year, we're making some huge investments in Texas," he said.

The expansion and remodel efforts touch a wide variety of stores. They include:

- Closing a location at 13776 N. U.S. 183 and replacing it with a 117,000-square-foot H-E-B Plus store near Lakeline Mall late this year or in early 2013.
- Expanding a store at 2800 E. Whitestone Blvd. in Cedar Park by 26,000 square feet to allow space for more items, wider aisles and a freshly squeezed juice section.
- Starting work on a new, 75,000-square-foot

H-E-B later this year in the Mueller development that's expected to open next year.

In addition, the chain is currently — or will soon start — remodeling a number of stores, including one at 10710 Research Blvd. in North Austin , and others in Bee Cave and Lockhart . At least seven other remodels will take place this year, but officials have yet to reveal their locations.

As H-E-B has renovated its Austin-area stores, officials said they have made efforts to tailor them to meet the needs of their neighborhoods.

The company recently remade its store at North Lamar Boulevard and Rundberg Lane to cater to Latino customers. The \$7 million remodeling project — which added 6,000 square feet and created about 40 jobs — includes a masa factory that grinds corn daily, a tortilleria, a carniceria (Latino-focused butcher shop) and a deli with fresh salsas and cremas.

"We're one of the rare companies left in retail that's goal is to serve everybody in a market," Boyan said. "And so Austin is a great example of that. How many retailers in Austin span the east side and the west side the way we do?"

H-E-B continues to be the dominant grocery chain in Central Texas, with 30-plus locations.

Overall, the privately held company had sales of more than \$18 billion last year and operates more than 335 stores in Texas and Northern Mexico.

In response to hard economic times, Boyan said the company continues to cut prices across thousands of items and has launched a new campaign, "Compare our Prices to Anyone."

Officials wouldn't quantify the size of the price cuts, but a company release said H-E-B is investing "millions" in the effort.

"We listen to our customers; we know that times are tough," Boyan said.

The grocer is also launching a healthy eating campaign this year aimed at encouraging customers to eat more plant-based foods. And it will beef up its philanthropic efforts to include a \$35 million donation as part of its Food Bank Assistance Program and \$10 million for education initiatives, such as early childhood literacy. The company also donates 5 percent of pre-tax earnings to various nonprofit organizations.

"Our goal is to invest in Texas communities," Boyan said. "At the end of the day, we do this so we can have good jobs for our (employees) and invest more in our communities."

As the economy slowly recovers from the recession, analysts said the competition for shoppers has become increasingly tough for H-E-B and other traditional grocers.

Rick Shea, the head of Shea Marketing, a grocery industry consulting firm in Minneapolis, said he's seeing "channel blurring" in the grocery industry because of the recession.

That means consumers are buying certain foods and packaged products at all types of stores — including dollar stores, club stores such as Costco and even convenience stores.

"The traditional grocery companies — the Krogers, the Safeways, the SuperValus — they're just struggling because there's so much competition," he said.

What's more, online coupons and price-scanning smartphones have made shoppers ever-more savvy, he said.

"So even middle-income and high-income consumers are still very much \u2026 seeking value," Shea said. "So that basically puts a tremendous amount of pressure on retailers to offer high-quality products at the best possible prices."

Heather Calhoun, a Houston resident who runs the grocery shopping blog FrugalReality.com, said she finds H-E-B's prices very competitive.

"I personally love H-E-B," she said. "One of my favorite aspects is the brands they carry. Being a Texas company, I find the most Texas brands sold there."

**Courtesy of JB Goodwin**