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Business

Mass. grocers scramble to keep up with consumers

By Jay Fitzgerald | GLOBE CORRESPONDENT NOVEMBER 13, 2012



SUZANNE KREITER/GLOBE STAFF

Shaw's, the state's second-largest supermarket operator with 84 stores, recently laid off workers.

From the recent layoff of 700 workers at Shaw's to the impending demise of the Johnnie's Foodmaster chain to more Whole Foods and Wegmans stores, the Massachusetts supermarket industry is undergoing a serious makeover as it faces stagnant sales and new types of competition.

Part of it is the tenuous economy — consumers are more frugal than ever, looking for sale items and resisting snack aisle binges.

“People have generally cut back so much, and they continue to cut back,” said Brian Todd, chief executive of the New Jersey-based Food Institute, a trade group that represents the \$520 billion supermarket industry.

But something else is happening, too: They’re relying less on supermarkets for groceries.

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Just more than a decade ago, supermarkets accounted for about 66 percent of all groceries bought in the United State, according to the Massachusetts Food Association. But by the start of 2012, that was down to 51 percent. In Massachusetts, the number of supermarkets has fallen by about 10 percent over the past decade, to under 1,000, according to industry figures.

Today, traditional supermarkets compete with massive retail discounters such as Target and Walmart Stores Inc., Trader Joe’s, which uses offbeat marketing to promote its “innovative, hard-to-find, great-tasting foods,” and drugstores like CVS and Rite Aid that sell milk, cereal, and other staples.

In addition, there are a growing number of “limited assortment” food discounters in Massachusetts, such as Save-A-Lot, Aldi, and Price Rite outlets, said Edgar Dworsky, founder of ConsumerWorld.org.

And the promise of bulk bargains — like toilet paper rolls by the dozens — still attract consumers to cavernous Costco and BJ’s warehouse-style stores across the state.

Dworsky said the expanding options make it tougher for high-overhead supermarkets that depend on heavy traffic and massive volume. Profit margins on many products are as low as 1 to 2 percent, while food costs through August rose at an annualized rate of about 3 percent, according to the Food Institute.

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“Consumers today have more choices — and more value choices,” Dworsky said. “Going forward, I think traditional supermarkets are going to get nudged even more.”

Steven Sylven, a spokesman for Shaw’s Supermarkets, acknowledged that it has become more challenging to do business in Massachusetts. Over the past three years, an estimated 110 nontraditional food stores have entered the Massachusetts market, he said.

“We’re very much in a tough, competitive environment here,” Sylven said.

Shaw’s, based in West Bridgewater and owned by the financially struggling Supervalu Inc. of Minnesota, is the state’s second-largest supermarket operator, with 84 stores here.

But not all the competitive pressure is being applied by price-driven merchants. Some shoppers, tired of the sameness of midrange chains, are willing to pay for more amenities and speciality foods.

Whole Foods Market Inc., which has 21 stores in Massachusetts, is building three more over the next year, including one in Hyannis — the first Whole Foods on Cape Cod.

The Austin, Texas-based chain has also agreed to take over leases at six of the 10 Johnnie Foodmaster’s in the Boston area. The stores — which are relatively small, averaging 31,000 square feet — will be remodeled and reopened as Whole Foods locations next fall.

Food retail leaders

How food retailers in Northeast ranked in 2012:

	Sales (est.) (in billions)	Stores N.E. Mass	Northeastern market share
Stop & Shop	\$12.3	404 (131)	11.35%
Walmart Supercenters	11.5	159 (12)	10.65
Shop Rite	8.4	232 (0)	7.73
Shaw’s/Star Market	7.3	169 (84)	6.76
Great A&P Tea Co.	7.1	293 (0)	6.58
Wegmans	5.2	70 (1)	4.82
Hannaford Bros. Co.	4.2	217 (26)	3.89
Target	4.1	219 (25)	3.80
Costco	3.8	51 (6)	3.52
Whole Foods	3.7	69 (21)	3.43
Market Basket Supermarkets	3.1	67 (39)	2.87
Giant Eagle Inc.	2.9	140 (0)	2.69
BJs Wholesale	2.8	122 (24)	2.57
Weis Markets Inc.	2.6	139 (0)	2.36
C-Town Stores	2.2	129 (1)	2.04
Acme/Supervalu Markets	2.2	100 (0)	1.99
Sam’s Club	2.0	61 (2)	1.85

SOURCE: The Griffin Report

JAMES ABUNDIS/GLOBE STAFF

Dworsky said it may be difficult to quickly find owners for the remaining three Johnnie's, in Lynn, Whitman, and on Alewife Brook Parkway in Somerville.

"I think it's indicative of the market that there's no scramble by others to fill these remaining spots," he said.

John DeJesus, owner of the Johnnie's Foodmaster chain, could not be reached for comment.

Stop & Shop Supermarket Co., the largest grocer in Massachusetts with 131 stores, is taking over the lease of another Johnnie's Foodmaster store in Medford. The Quincy-based chain also plans to open a new supermarket in Wayland Friday.

But the company is also reassessing some locations — Stop & Shop last week closed one of its three stores in Revere, part of a previously announced consolidation move by the company.

Suzi Robinson, a spokeswoman for Stop & Shop, said there's "no doubt" the industry is facing difficult times, most immediately because of the economy.

"We do recognize it's not exactly easy for shoppers these days," Robinson said.

In contrast to the demise of Johnnie's Foodmaster, Market Basket — the state's third-largest supermarket operator with 40 stores — has been thriving in recent years. Taking a low-priced but high-volume approach toward sales, Market Basket has opened three new stores this year in Massachusetts and opened a new building at an existing site in Haverhill, said David McLean, operations manager at Demoulas Supermarkets Inc., the privately held parent company of Market Basket.



KAYANA SZYMCAK FOR THE BOSTON
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Whole Foods took over leases of some Johnnie's Foodmaster locations and will remodel and reopen them.

“They’re a company who knows the market and executes quite well,” Kevin Griffin, publisher of the Griffin Report of Food Marketing in Duxbury, said of Market Basket.

Wegmans, a family-run chain based in New York, also is making inroads in Massachusetts. The company, known for its vast selection and fastidious attention to detail, operates a massive store in Northborough, has two more locations on the way — in Burlington and Chestnut Hill — and is scouting for other locations. While the Wegmans footprint is small here, it commands a zealous following. The Northborough opening in October of last year attracted a record-breaking 25,000 customers on a single day.

Officials at other supermarket chains said they are responding as best they can to shifts in consumer preferences with lower prices, higher quality food, and better service.

“Clearly, the increased fragmentation of the market is one of the biggest challenges facing the industry,” said Paul McGillivray, vice president of sales at Roche Bros. Supermarkets Inc., a family-owned chain with 18 Roche Bros. and Sudbury Farm stores in Massachusetts.

“Our business has been holding up good,” McGillivray said, and the Wellesley-based grocer is “always looking for opportunities” to expand. For now, however, it’s concentrating on keeping existing stores thriving.

According to Griffin, that’s a formidable challenge for any company that sells groceries. In coming years, he said, there will be no let up in the fierce battle for market share among food retailers.

“If anything, it’s going to get even more competitive,” Griffin said.

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