CHAIN REACTION // Grocery business is on the move to meet competition in Central Massachusetts

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Abstract:
Don't count out Victory Supermarkets Inc. of Leominster. With 14 stores, it's a small chain compared to its big brethren. But last year it added a 51,000-square-foot store in Marlboro and this fall will open a store in Kingston. It would be the chain's 15th, and with 60,000 square feet, also Victory's largest.

In this area, Stop & Shop has superstores in Westboro, Gardner and Milford with three more planned in Worcester: on Grafton Street, where construction will begin this month; on Park Avenue; and the chain will soon file plans for another store on West Boylston Street, according to spokesman [Mary Jo Anderson].

Only five years ago the Goretti Supermarkets chain had five markets, mostly smaller stores. Today, there's only one Goretti Supermarket left, a medium-size store in Millbury. And while CEO Mark J. Goretti staunchly believes there's still a place for independent smaller stores, he admits that the scaling down of the family chain was partly a result of the superstore competition.

Full Text:
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WORCESTER - On a cold but sunny spring morning a few weeks ago, customers at the Sunderland Road Big Y were greeted by a large welcome banner and the music of a small band.

Inside, amid shoppers pushing their carts, Big Y executives were celebrating with speeches and cake the completion of the store's $1.5 million renovation.

Two days later, Big Y executives repeated a similar opening ceremony at their new $4 million World Class Market in Southbridge.

Since 1989, when it opened its first store in Holden, Springfield-based Big Y Foods Inc. has invested millions of dollars to establish a five-store foothold in the area.

Besides Holden, Worcester and Southbridge, Big Y also has stores in Spencer and Ware.
Owned by the D'Amour family, Big Y has plans to build a sixth store at May Street in Worcester and is looking at other sites in and outside the city.

It's a challenge that has not gone unnoticed.

Quincy-based Stop & Shop Supermarket Co., Shaw's Supermarkets Inc. of East Bridgewater, Price Chopper of Schenectady, N.Y., and Victory Supermarkets Inc. in Leominster are all major players in the region's supermarket business. And all have expansion plans.

Unlike other places, the Worcester market is not yet saturated, according to Stephen M. Griffin, president of the trade publication the Griffin Report.

"There are a quite a few things happening; there are opportunities in the Worcester market," adds Shaw's spokesman Bernard J. Rogan.

When he surveys the territory, Donald H. D'Amour, Big Y's chief executive officer, sees a clear battle for domination shaping up. "Worcester is sort of ripe for new store expansion," he said.

"There's a catching-up process taking place."

But while Springfield-based Big Y, a 35-store chain with revenues that approach $700 million, has entered the Central Massachusetts market with aggressiveness and vigor, other chains, it would appear, have been slow to respond.

Stop & Shop, New England's dominant food supplier with $4.1 billion in revenue and 159 stores, has ambitious plans of its own. But with its seven stores and one Purity Supermarket in Central Massachusetts, Stop & Shop has much less market penetration here than in the rest of the state.

Company spokeswoman Mary Jo Anderson said Stop & Shop stands to correct this. It wants to build three stores in Worcester and is looking at other sites in the area. "There is a logic to our expansion in Central Massachusetts. It's part of a strategic plan," she said.

Shaw's Supermarkets, with 100 stores the region's second largest chain, opened a store in Northbridge last year, its 12th in the area. Shaw's also has plans to upgrade its Shrewsbury store and is looking at three other locations, including one in Webster.

Price Chopper, the 91-store chain based in Schenectady, N.Y., entered the Central Massachusetts market last year when it bought 12 Big D supermarkets. It plans to upgrade stores and expand some of the existing supermarkets, said company spokeswoman Barbara L. Page. Price Chopper also is looking at adding new stores, she said.

And don't count out Victory Supermarkets Inc. of Leominster. With 14 stores, it's a small chain compared to its big brethren. But last year it added a 51,000-square-foot store in Marlboro and this fall will open a store in Kingston. It would be the chain's 15th, and with 60,000 square feet, also Victory's largest.

In an industry known for razor-thin margins, high volume and fierce competition, this jockeying for market share will result in more stores that set themselves apart by their unusual spaciousness, much larger selection of products and services, according to industry executives. With completely outfitted new stores costing $4 million and up, the investments required are substantial.
Nationwide, a typical new store today averages 54,000 square feet vs. 38,000 square feet in 1990, according to figures of the Food Marketing Institute. Shaw’s, Stop & Shop and Big Y are building their stores in the 65,000-square-foot range.

In the Northeast it was Stop & Shop that pioneered this superstore concept with its Pembroke store in 1981. The chain has been building superstores ever since. Of its 159 supermarkets today, 116 are superstores.

In this area, Stop & Shop has superstores in Westboro, Gardner and Milford with three more planned in Worcester: on Grafton Street, where construction will begin this month; on Park Avenue; and the chain will soon file plans for another store on West Boylston Street, according to spokeswoman Anderson.

The supermarket industry’s new stores often feature amenities unheard of a few years ago. They may include an in-house bakery, freshly made pizzas, grinders and doughnuts, expanded seafood and deli departments, ready-to-serve cooked food, mini-restaurants, juice bars, pharmacies, hardcover and paperback books, dry cleaning, banking services, photo processing and newspapers.

Changes in lifestyles, a consumer desire for convenience, and two-income families have fueled the supermarket concept, according to the Food Marketing Institute, a Washington, D.C., trade group. Said Big Y’s D’Amour: “Customer expectations change over time. People are very busy right now, and they want their necessities under one roof.”

A prepackaged salad in a bowl with utensils, dressing and napkin is one of the latest new services, according to Edie Clark, a spokeswoman for the Food Marketing Institute. In some parts of the country, baby-sitting services are available, according to Clark. Star Market Co. of Cambridge, which offers babysitting in its Allston store, claims to be the first one to do so in the Northeast.

And one of the newest services to be offered - Shaw’s is pioneering this in some of its stores - is shopping from home combined with home delivery.

Big Y CEO D’Amour remembers “how very, very simple supermarkets used to be.” When he entered the family business in 1969, stores carried fewer than 10,000 items; now it is more than 30,000. And there hardly were any of the service departments that have become common features, he said.

The supermarket industry has changed in other ways also. “It’s no longer a matter of unskilled employees throwing the cans on the shelves,” said D’Amour. Superstores today demand a combination of different talents, he said. “Not everybody can make doughnuts. The quality of the employees makes a critical difference. It’s what makes some supermarkets successful and others not so successful.”

In addition, the $400-billion–a-year supermarket industry has become a lot more sophisticated with computer-controlled inventory and warehousing. And data from checkout scanning devices and frequent shopper cards offer all kinds of information about buying patterns. Based on this information, stores within a chain now can offer different merchandise mixes geared to their customers.

Still another change is the evaporation of seasonality. “You did not used to be able to get strawberries year-round. Now you can get fruits and vegetables from all around the world practically 12 months a year,” said D’Amour, a 1964 Assumption College graduate and for the past five years an Assumption trustee.

With the overwhelming selection of food items and ancillary services in superstores, though, one of the
drawbacks is that smaller, neighborhood chains may get squeezed by the big boys.

Only five years ago the Goretti Supermarkets chain had five markets, mostly smaller stores. Today, there's only one Goretti Supermarket left, a medium-size store in Millbury. And while CEO Mark J. Goretti staunchly believes there's still a place for independent smaller stores, he admits that the scaling down of the family chain was partly a result of the superstore competition.

The big chains, said Goretti, are aggressively seeking locations and seeking a presence in markets where they have not been. And some of the smaller stores are being squeezed, he said.

But Goretti questions whether all these superstores will be able to survive. "Common sense says, no," said Goretti. He expects some shakeout to happen "just as it has happened to the smaller guys."

Too many stores already is a fact of life in the north county, according to Arthur P. DiGeronimo Jr., president of Victory Supermarkets.

With six 50,000-square-foot stores competing for grocery dollars in Fitchburg and Leominster alone, there's plenty of competition, said DiGeronimo, who considers his 14-store Victory chain among the small guys.

While the big chains with their deep pockets can present a considerable challenge to their much smaller competitors, Clark of the Food Marketing Institute said many independents are able to fight back.

"We've not really seen the demise of the independent chains, she said. "Everything points to smaller chains doing a fine job," she said. Their advantage is that they are very familiar with their customers who can be very loyal, Clark said.

Victory's DiGeronimo believes there's always opportunity for the smaller guy. His Victory chain, for example, has added several stores over the past few years and is on the lookout for new opportunities.

Said Rogan of Shaw's Supermarkets: "There's a philosophy in retailing that smaller operators will continue to survive. They can specialize where larger stores cannot.

"Food," adds Rogan, "is one of the staples of life."

"Despite all the changes in the supermarket industry, the business continues to be very stable. The only difference is that customers continue to broaden their taste and choices," he said.

[Illustration]

PHOTO; CHART; Caption: At the opening last month of a new Big Y supermarket on Sudbury Road are owners, from left, Charles D'Amour, Gerald D'Amour, Claire D'Amour and Donald H. D'Amour; Credit: (PROKASTAGIARDO; (CAHILL, LYNNE O'CONNOR.

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