The handful of grocery chains that compete for the crumbs left by Giant and Safeway in the Washington area supermarket business are expanding at a dizzying pace.

Shoppers Food Warehouse and Food Lion, price-conscious grocery stores, are aggressively touting their low prices and adding stores. Weis Markets and Super Fresh, general grocery stores in suburban areas, are remodeling their stores and opening larger ones.

Fresh Fields, a natural foods supermarket, is planning a major expansion to thwart the impending arrival of Bread & Circus, another natural foods chain based in Newton, Mass. Magruder's, while looking to expand, is changing its focus to concentrate more on produce and other fresh foods that appeal to consumers today. Even Sutton Place Gourmet, the area's gourmet food chain, which has six stores here and is the 11th-biggest player in the market, is planning to add about 13 more stores in the next three years.

Of every $100 spent on groceries in the Washington area, more than $72 flows through the cash registers of Giant and Safeway stores. The two chains exemplify the one-stop shopping strategy that customers in this market find so important: Buy your lettuce, your rotisserie chicken, your motor oil and your prescriptions in one place.

They are powerful forces for competitors to reckon with.

Yet the smaller chains say they must expand to stay competitive. They are vulnerable not only to the clout of Giant and Safeway, but to the threat of an increasing number of grocery chains operating here at a time of slower economic growth.

In response, many of the chains that round out the top 10 grocery store operators in the region are either opening more stores here or are refining their strategies to more solidly fill whatever niche they have found. Some are doing both.

"What all of us are doing is trying to keep up and not lose any position," said Michael Rourke, senior vice president of corporate affairs for New Jersey-based A&P, which, with 15 Super Fresh stores in this market, is the fifth-largest grocery store chain here. "I think that there isn't a great deal of growth."

Giant and Safeway, despite their huge market share in this region, are somewhat vulnerable to these competitors. With responsibility for so many departments, it is difficult for such large players to compete with lean, sharply focused specialty chains trying to chip away at corners of the business.

What's clear for all the grocery chains is that the Washington area's economy is not growing fast enough for everyone to gain. If one players wins, it's usually at another's expense.

"Everyone is nipping at everyone else's heels, trying for a little piece here and little piece there," said Ira Mendelson, president and chief executive of Murry's Inc., a chain of meat, fish and poultry markets based in Forestville, Md., with 18 area stores.

This fact was made clear in an annual survey of grocery sales and market share in the region released last week by Food World, a Baltimore-based publication that tracks the grocery market in the mid-Atlantic region.

Of the top 10 chains in the Washington area, five players gained a little market share and five players lost a little, but together those players gained only 0.2 percent of all the food dollars spent here -- rising to $5.57 billion.

Jeff Metzger, editor of Food World, said the smaller chains looking to expand face a battle. Not only does the Washington region already have a large number of grocery stores for a market this size, but it is expensive to penetrate. And worse, since the beginning of the year, the grocery business has been "relatively flat," he said.

Landover-based Giant Food Inc., the largest grocery chain in the market, also is in the midst of an aggressive expansion campaign. But
while Giant has five more stores underway in the Washington area, the company is largely focused on areas outside Washington -- in the next 18 months the company will add about a dozen new stores in Delaware, New Jersey and Pennsylvania.

"The Washington economy has slowed down," said David Sykes, senior vice president of finance for Giant. "If more homes were being built here, if the pace were truly robust, that would give us the opportunity to open more stores here."

Sykes said the smaller competitors that have plans to expand here either have to offer something unique, or "they may run into difficulty."

Nevertheless, Sykes recognizes that any major player is more vulnerable to market share erosion simply because it is there to be had. As consumers try new stores and start buying certain items elsewhere -- such as prepared foods at a gourmet store or paper towels at a discount club -- it can add up to trouble for chains that offer one-stop shopping.

According to the Food World survey, which Sykes described as accurate, Giant's Washington area market share dropped to 44.8 percent this year from 45.2 percent last year.

"If we lose a little bit of market share, we regret that and we need to work at keeping market share. But I think it's inevitable," he said. Safeway spokesman Brian Dowling said he couldn't discuss Safeway's plans to open more stores in this area, but said "we intend to grow our business by adding stores and remodeling existing stores."

Safeway is "prepared to take on the competition," Dowling said. The grocery market is like a bell curve, he said, and the smaller operators go after niche markets at either end of the curve, concentrating on convenience, gourmet food, health food or low pric es. "We obviously go after the center of the curve with the mass market," he said.

But just choosing a niche is not enough -- the small players recognize that they have to be better at whatever it is they offer than everyone else.

"Even within your niche, it's more and more competitive," Murry's Mendelson said. "You've got to be more innovative and more responsive to change than ever before."

Murry's -- the 10th-largest grocery operator on Food World's list, with 0.8 percent market share -- sells frozen prepared meats and seafood items. Hamburger patties and breaded chicken fingers can be found in its stores, along with a small selection of other grocery products, but almost no produce.

Murry's once was ahead of the pack in the prepared foods business, but now just about all grocery chains are offering marinated, breaded, cooked or stewed food in their meat and deli departments. It is what the busy two-income couples who populate this market are demanding, so Giant and Safeway have increased their offerings of prepared foods to keep shoppers from going elsewhere.

Produce is another specialty area in which the groceries are aggressively competing.

Magruder's, for example, which has been operating general grocery stores in the Washington area since 1875, has recently begun to narrow its selection and concentrate on produce, among other things.

"Our plans are to start working toward more stores that are oriented toward perishable items," such as produce, deli, bakery, dairy and meat departments, said Steve Fanaroff, vice president of Magruder's. "Campbell's Pork and Beans is going to be the same in Giant and Safeway and Magruder's, but there's quality difference in produce, meats and deli."

Magruder's is the fourth-largest chain in the area, with 11 stores and a 2.6 percent market share. But the chain plans to open 10 more locations in the next two years.

Magruder's emphasis on produce puts pressure on Fresh Fields, the Rockville-based natural foods supermarket that has gained a reputation for having high-quality fruits and vegetables. The company opened its first store here in 1991 and has since captured 1.5 percent of the local grocery market, according to Food World. It is an impressive gain in such a tough market, but not good enough for Mark Ordan, the company's chairman.

"We're a peanut. No, we're a nache peanut," Ordan said. So Fresh Fields, which has eight stores in the area, plans to open another two or three locations a year.

But even that will not guarantee its dominance among the area's natural foods stores. Bread & Circus has three stores under construction in the area, all of which are about 35,000 square feet, which allows for more variety than Fresh Fields' smaller stores, which run about 20,000 square feet.

Bread & Circus plans "at least a half a dozen" new stores total, said company President Christopher Hitt.

"We're going to hurt them," Hitt said of Fresh Fields. "They've done a good job and I'm not trying to build stores right next to theirs, but we believe we've been doing this for 20 years and we really understand the business more than they do."

Ordan of Fresh Fields said the two chains emphasize different things and "there's room for both."

Sometimes a niche gets too crowded, though. For example, there are many players now that tout "low prices," which Food World's Metzger said is an attractive selling point in a time of cautionary consumer spending.
Shoppers Food Warehouse, known for offering groceries at warehouse club prices, is facing stiff competition not only from the continual expansion of Food Lion in the outlying suburbs, but even from Giant and Safeway. "A lot of people are getting cheap food as a result of the competition," said Robert Herman, president of Shoppers, which operates 32 stores in the Washington area.

With 13 percent of the grocery dollars spent in the Washington area, Shoppers Food Warehouse is the third-largest supermarket operator. It already has gained some business in this market, rising from 12.8 percent market share last year. But gaining market share in the face of such intense price competition requires adapting one's strategy, Herman said.

"Low price is our niche and we will remain the leader in this area. But it is not our whole story," Herman said. The chain is looking at adding more sites and expanding its offering of prepared foods, dry goods, produce and even natural and gourmet products, he said.

Despite the price competition here, Food Lion Chairman Thomas E. Smith is confident that his company's emphasis on low prices will allow it to expand further. The company has nine stores in the Washington and Baltimore markets, and plans for 13 more in the next year. It has about 1.7 percent of the Washington market, making it the seventh-largest chain.

Usually located in the most distant suburbs and more rural areas, Food Lion is slowly creeping inward from such outer suburbs as Waldorf and Woodbridge, where it has found a receptive audience. One of its new stores, for example, will open in Oxon Hill in Price George's County.

"We've had really good acceptance in the Washington area... so we do plan to continue to expand" there, Smith said. While the company typically prefers the more distant suburbs where land is less expensive, "We're not restricting ourselves," he said. "We want to find the right property at the right price."

Food Lion's market share in this area rose from 1.5 percent last year to 1.7 percent this year, according to Food World.

Two chains that have not been as successful in maintaining market share here are Pennsylvania-based Weis Markets, which has 10 stores in this market, and New Jersey-based A&P. But both are planning to do something about it.

"In the past we've concentrated pretty heavily on remodeling stores. We're now moving our capital expenditures to opening new stores," said Rourke of A&P. The company has a stronger presence in Baltimore, but is looking for more sites in suburban Maryland and Northern Virginia, he said. A&P's Super Fresh has 2.5 percent of the grocery market here, down from 2.65 percent last year.

Weis also is looking to rebuild its market share here, after slipping very slightly to 1.88 percent from 1.91 percent. The company is in the midst of the "most ambitious expansion program" in its history, said company spokesman Dennis Curtin. The expansion will include the outer suburbs of Washington, he said, where there is more population growth.

Some independents are fighting back by joining the IGA network, a buying group based in Chicago. IGA, owned by 11 large food wholesalers, gives independent chains access to private label goods as well as buying clout for equipment and health insurance.

There are 21 IGA-affiliated supermarkets in the Washington area, such as Food Plus stores, according to Food World, with 1.6 percent of the grocery market.

Metzger said that one of the few factors that could break the pattern of current players just trading market share among themselves would be for a major chain here to sell its stores. He said the industry is speculating that Shoppers Food Warehouse will be sold, for example, but Herman of Shoppers would not comment on whether the company is looking for a buyer.

"If Shoppers does sell, there's going to be a fierce bidding war... because the chance to gain 13 percent share in the marketplace is a once-in-a-generation opportunity," Metzger said. "The marketplace is very very tough here. You really have a gridlock situation, and it's going to take an acquisition or tremendous economic growth to break it."*

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**GRAPHIC:** Magruder's executives Steve Fanaroff, left, Mark Polsky and Gary Bortnick at a new store on Connecticut Avenue NW. The grocery chain, the fourth-largest in the area, is adding more stores as well as focusing more on produce, deli, meat and other fresh foods. A Manassas Shoppers Food Warehouse, where "club prices" are aggressively promoted. EXPANSION PLANS: Shoppers Food Warehouse Headquarters: Landover Stores: 32 Plans: Expanding * Magruder's Headquarters: Rockville Stores: 11 Plans: 10 more stores in the next 2 years * Super Fresh / A&P Headquarters: Mentsville, N.J. Stores: 15 Plans: Expanding * Weis Markets Headquarters: Sunbury, Pa. Stores: 10 Plans: Looking for sites in Maryland and Virginia * Food Lion Headquarters: Salisbury, N.C. Stores: 9 Plans: 13 more stores in the next year in the Washington-Baltimore area * Fresh Fields Headquarters: Rockville Stores: 6 Plans: 2 to 3 new stores a year * Murry's Headquarters: Forestville, Md. Stores: 18 Plans: Replacing small with larger stores * Sutton Place Headquarters: Rockville Stores: 3 large, 3 small Plans: 8 to 9 larger stores and 5 to 7 smaller stores in the next 3 years * Bread & Circus Headquarters: Newton, Mass. Stores: 3 under construction Plans: At least 6 stores total SOURCE: Number of stores from Food World Survey SUPERMARKET LEADERS (This chart was not available)

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