Independent grocers depend on innovation
Missoulian; Missoula; Dec 27, 1998; Thomson, Kerry;

SIC: 5411
Start Page: D1
Subject Terms: Independent grocery stores
Market strategy
Competition
Geographic Names: Missoula
MT
US
Mountain
Personal Names: Nowak, Mike
Companies: Mikes IGA SIC: 5411

Abstract:
At Mike's IGA, you can fill up your gas tank at the same time you buy your Christmas turkey. Along the Hi-Line in Chester, where Mike Nowak owns and operates his own ICA, bringing in and keeping customers has meant adding fuel pumps, an espresso bar and a Subway sandwiches counter to his inventory. For Nowak, the formula has helped bolster stagnating sales.

Full Text:
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At Mike's IGA, you can fill up your gas tank at the same time you buy your Christmas turkey.

Along the Hi-Line in Chester, where Mike Nowak owns and operates his own ICA, bringing in and keeping customers has meant adding fuel pumps, an espresso bar and a Subway sandwiches counter to his inventory. For Nowak, the formula has helped bolster stagnating sales.

"We had to find a new customer base," Nowak said. "Most of (Montana's) east counties are losing population, so we had to find someone else to sell product to ... and that customer happened to be in a car."

Nowak, said John Thompson, communication director for the National Grocers Association, is a perfect model of how resourceful independent supermarket owners have to be to stay competitive against the supermarket giants.

"This is just an example of how innovative (independent grocers) can be," Thompson said. "Any independent, they tend to find a niche and explore that."

Finding niches may be the key to staying alive for independently owned grocery stores, Thompson said, and there's plenty of Montana grocers who are following that formula.

In Nowak's case, several phenomena, including location and competition, explain Nowak's decision to add fuel pumps to his parking lot.

Mike's IGA sits smack on U.S. Highway 2, the northernmost transcontinental route in the United States. Historically, Nowak's customers were farmers, but challenging agricultural times have trickled down to Nowak's store. Now, Nowak capitalizes on fuel needs from the high number of cars and trucks that breeze by his front door each day.
"It's kept our customer count up," he said. "We're pretty happy with it."

Increased competition as a result of chain-store mergers has significantly affected Nowak's business, too. Of particular concern are the large warehouse stores such as Costco.

"They're taking us to lunch," Nowak said. "They're selling (groceries) at cost to bring customers into the core business.....The trend just seems to be for bigger and bigger and that should concern most people in rural communities."

Already, small communities across Montana are feeling the effects of increased competition from supermarket chains. In Dutton, for example, the Suek Brothers Grocery store, a town' standard for 45 years, closed its doors in October, unable to compete against supermarket chains 30 miles away in Great Falls.

It may seem that the merger threat is over, but according to Bill Stevens, president of the Montana Food Distributors Association, merger after-effects -- mostly in the form of increased competition -- are far from over.

"Unfortunately, in my opinion, it's going to be tough on the independents," Stevens said.

One way independents have tried to keep pace with bigger competitors is to become members of warehouse programs that sell inventory at prices comparable to those larger chains garner. Montana alone has two such warehouses in Billings and Helena.

"For the most part, those independents are serviced by those warehouses," Stevens said. "(The warehouses) buy for the whole group, doing the best they can to get the volume discount."

Yet, as many local grocers know, it takes more than competitive prices to attract and keep customers.

In Missoula, developing and maintaining specialized niches is the best way independents have found to stay competitive against supermarket giants with huge buying power.

"As far as all the chains taking over (goes), it's really, really hurting the independents," said Jim Edwards Jr., president of Bi-Lo Foods Inc. "It's been totally blowing us away."

Though in the short term, it might seem good for consumers to have all this competition, Edwards thinks things will change. Fierce competition from supermarket chains will, in the long run, actually raise grocery prices rather than lower them, he said. Edwards points at studies from the Federal Trade Commission to support his argument. In towns with both independent as well as chain grocery stores, he said, prices stay competitive. But that changes when all the supermarkets in a city are nationally owned.

"Any area where it's all chain-controlled, prices go up," he said. With an Albertson's going in just down the street from the Bi-Lo store on Southwest Higgins Avenue, Edwards is getting ready to change his store's focus so he won't have to directly compete with the new grocery on the block.

"We're going to carve out a niche and we're going to go upscale," Edwards said.

Not only will the store get a face lift and a new influx of gourmet products, customers will get the royal
treatment as soon as they step through the doors, Edwards said.

"All I want to do is carve out a niche and make sure that I do the best I can at making our customers happy," Edwards said.

The niche strategy independent grocers use is a fundamental answer to why independents stay alive in such a competitive, corporate market, according to Thompson at the National Grocers Association.

"They are smaller in the sense of not being thousand-store operations ... as a result they're able to move a little quicker and react a little quicker to trends."

While Edwards at Bi-Lo works to keep his business healthy in the fact of increased competition, other Missoula independents are less concerned about the recent changes to their business. Good Food Store general manager Cheryl Loberg said her natural foods store has such a specialized niche she really hasn't been affected by all the recent activity in the industry.

"We still have a certain edge in that we offer a different product for the most part," Loberg said. "It probably isn't affecting us as much as it would perhaps (affect) some of the IGAs or Tidyman's or some of the independents."

Nor has the Orange Street Food Farm fallen on hard times in recent years.

"I didn't notice any difference, maybe because we're just a neighborhood store," said Mike Bloomdahl, co-owner and manager of the store.

Budt just four years after the Suek Brothers Grocery store in Butte, the Food Farm has kept up with larger grocery stores thanks to an established customer base of college students who often choose walking to a corner store over driving to a supermarket.

"We have a lot of apartments (nearby) with university kids in them, so we have a lot of university clientele," Bloomdahl said. "Things look good."

For the time being, fuel sales have kept things looking good for Mike's IGA, too, but Nowak isn't as sure about the future.

"I imagine those major players like Costco ... will be putting fuel pumps in their parking lots," Nowak said.

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