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HEADLINE: Shopping Purgatory, or Paradise; Northeast's Supermarkets Outclassed by Sun Belt's

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BODY:
So what was it like, one recent evening in supermarket purgatory?

Shoppers squeezed their carts through aisles cluttered with towers of unpacked boxes that blocked the goods on the shelves. Whole shelves yawned emptily, unstocked. Customers waited in lines as checkout clerks doubled as baggers. Spilled milk by the dairy cooler had not been cleaned up. The floors were littered with flattened vegetables and packing materials. And as if to mock the notion of cleanliness, a clerk maneuvered a broom along the aisles, redistributing the litter instead of cleaning it up.

Was this the scene in some inner-city market? No, the site was a Grand Union store, the sole supermarket in one of Westchester County's most affluent communities, Chappaqua.

A supermarket run by the Publix chain in a middle-class neighborhood in Lakeland, Fla., offered a startling contrast: clutter-free, wide-aisled, spotless and with employees given to friendly chatter and small courtesies. Not only were there grocery baggers, but they asked, "Can I help you out to your car with this?" and then loaded customers' automobiles, declining tips. Instead of staying at the registers, idle checkers ranged into the aisles to urge shoppers into their lanes.

The differences between the stores illustrate the growing disparities in the grocery business that have made customers in many areas of the Northeast the also-rans of supermarket America.

A revolution is transforming the supermarket business in the South and West, where chains are vying to outdo one another, selling grocery shopping as an enjoyable experience. Some chains, like Harris-Teeter of Charlotte, N.C., have made their theatrically lighted and designed stores into a veritable celebration of good living.

But in the suburbs of the New York metropolitan area, with the exception of a few small upscale chains and the larger chains' showcase emporiums, the revolution has yet to arrive. And it is still a rarity in the Northeast.

As a result, much of the population has become inured to poor service. "People put up with conditions that people in the South would not accept," said Gary M. Giblen, a retail expert who is a managing director at Smith Barney. "Anyone who has the opportunity to travel elsewhere in the United States prefers the store conditions elsewhere."

What is the difference between Publix, which operates in the Southeast, and Grand Union, in the Northeast? The answer says something about what it takes to succeed in the supermarket business.

Unlike Grand Union, Publix has capitalized on the availability of low-cost real estate to build newer, larger stores, expanding into markets that are growing, not saturated. Publix enjoys lower labor costs. But perhaps most striking, Publix has used aggressive management and the tenets of employee ownership to create a culture that values efficiency and service.

Customers in the Northeast think they deserve better. "Supermarkets are much more service-oriented in other parts of the country," said Pat Sundel, a nine-year resident of Chappaqua who shops at the Grand Union there and whose father was a supermarket manager in New Hampshire.

In fact, in its most recent survey of 10,000 readers in 1993, the magazine Consumer Reports rated Publix, which is based in Lakeland, the best supermarket chain in America over 23 competitors, excelling in cleanliness, courtesy, checkout speed, produce quality, clear aisles and product variety. The service at Publix is so good that the chain has had to advertise that its prices are competitive, because some customers think it is a luxury chain.

"I get a family feeling here," said Janet Cooley, a shopper whose comments were typical of those of customers at the Lakeland store.

Certainly, some Grand Union customers have good things to say about that chain's supermarkets. But the readers of Consumer Reports rated Grand Union, which is based in Wayne, N.J., next to last, singling it out for below-average cleanliness and checkout speed, higher prices and a lack of variety. The only chain that rated worse was A.& P., which operates in 22 states.
The manager of the Grand Union in Chappaqua declined to comment about the store's operations, and a company spokesman, Donald C. Vaillancourt, would not answer questions about the store.

Mr. Vaillancourt said Grand Union had a rigorous quality-control system. And he said the Consumer Reports rating of the Grand Union chain was "grossly unfair because of its methodology," questioning whether a national sample of 10,000 could adequately reflect the operations of a chain that had an average customer count of three million a week.

The differences between Grand Union and Publix help to produce contrasting financial results for the two chains. Grand Union, which has 234 stores and 17,000 employees in New York, New Jersey, Connecticut, Pennsylvania, Vermont and New Hampshire, has fallen mightily from its high-flying reputation in the 1970's as one of the first developers of specialty-food products in a supermarket setting.

The company lost nearly $114 million during the most recent three quarters on revenues of $1.9 billion. It filed for bankruptcy court protection in January. And the chain has been shrinking; last November the company closed about 20 stores.

Squeezed by the competition and borrowing heavily in its attempt to modernize, Grand Union has been "so highly leveraged that it had to be especially tight-fisted on labor and other cost-cutting," Mr. Giblen of Smith Barney said.

By contrast, Publix, which has 478 stores in Florida, Georgia and South Carolina, is profitable and expanding. Its net profit after taxes as a percentage of sales was 2.75 percent in an industry where the average is 1 percent, according to food analysts. The number of employees has grown to 93,000, from 67,000 in 1990. It has 47 new stores under construction.

But because of its high cash flow, Publix has not had to borrow to finance its expansion; in fact, the company, with revenues of $8.6 billion in 1994 and hopes of reaching $10 billion this year, has only $3 million of long-term debt.

Some of the differences between Grand Union and Publix can be attributed to the difficulty of doing business in the Northeast, and can help to explain the reasons that high-quality supermarket companies from other regions have not entered this market. In the Northeast, there are "more older supermarkets in constricted spaces with poor parking and poor convenience," said Mark Hussin, a retail analyst at J. P. Morgan Securities.

In the South, "you can build a 50,000-square-foot store in six months in an area where there will be potential for future growth," said a spokesman for the A. & P. chain, Michael J. Rourke. But in suburban New York, building a similar store can take four years, because of zoning, environmental and traffic considerations, he said.

Moreover, Mr. Giblen said, in the Publix region, "real estate is cheap." And, he added, "everyone wants to live in Florida, so that people practically would pay them to work in their store." That translates into lower labor costs.

But the chains also differ in ways that have nothing to do with geography. One example is the way the stores are managed. Take Publix's extensive use of the grocery bagger, an employee conspicuously absent at some Grand Union stores.

Bagers not only please the customers, they help to save the company money, said Gene Gelb, the 34-year-old manager of the Publix in the Oakbridge Shopping Center in Lakeland. That is because checkout cashiers do not have to leave the registers to bag groceries.

"You increase the efficiency of the relatively expensive checkout person and increase the employment of the baggers, who are often high-school kids working for minimum wage," Mr. Gelb said.

The chain's carry-out service to customers' cars also helps to keep the flow going, particularly where there are many elderly shoppers.

Publix also demands what Mr. Gelb called an "eternal vigilance" that is the key to all-important "store presentation." He and his managers direct crews in constant "redressing," as they see "orphans" or "go-backs" -- misplaced or damaged items -- and restore order to the shelves. Instead of leaving unattended boxes in the aisles, Mr. Gelb's crews bring out from inventory only what they can stock at one time.

The company also teaches its employees flexibility: an assistant manager fills in at the registers at a moment's notice, and virtually any employee may be called upon to do "spill mopping" of spills.

To guard against long checkout lines, computer programs and the gut instincts of managers predict stores' high-use times; temporary personnel are scheduled accordingly.

Another big difference between Publix and Grand Union is in the way the employees of the two chains view themselves. Publix, a 64-year-old company, has always been owned entirely by its employees and management, and the family of its late founder, George Jenkins. Employees become eligible for stock after working one year and 1,000 hours at Publix. Publix employees -- called associates by the company -- wear name badges proclaiming that each is a stockholder. Grand Union would not comment on its ownership, but a spokesman for one of the unions knew of no employee stock plan.

Employees at Publix are also given bonuses tied to the revenues of the stores, and can make from $10 to $300 in each 13-week inventory period. Grand Union would not comment on its incentive programs.

"We would not have the same company if we didn't have employee ownership," said Mark Hollis, the 60-year-old president and chief operating officer of Publix. In addition, 99 percent of the company's management team has been promoted from within the organization; Mr. Hollis started bagging groceries at the age of 12 at Publix.

Publix says another factor in its success is what it boasts is its "union-free work force." About 49 percent of Grand Union's employees,
including some of those in Chappaqua, are represented by collective bargaining agreements negotiated with 13 unions.

"Not that unions are evil," Mr. Giblen of Smith Barney said, but some "do impose rigid work rules."

"If the customer spills a bottle of jelly in the aisle, the rules might prevent a cashier from sweeping up, even if the cashier is idly sitting around with no customers," he said.

Contract work rules do not forbid cashiers from mopping up spills at Grand Union stores, "but it's just not done -- that would be the job of maintenance employees," said Frank Margiotta, a spokesman for the United Food and Commercial Workers Local 1262, which represents 4,200 Grand Union employees.

He said that while customer-service problems were sometimes attributed to unionized employees, such difficulties were "rightly the responsibility of management," adding that "Grand Union has had some problems financially, but our union is trying to assist the company."

Publix has hardly been without criticism, of course. Unions have criticized the chain for being nonunion and the company has been sued by some former employees who accuse it of discriminating against women with respect to job assignments and promotions. The Equal Employment Opportunity Commission is looking into accusations of both gender and racial discrimination.

Publix has denied such discrimination, saying that such accusations were inspired by its entry into states in which it faces unionized competitors for the first time.

In addition, not every worker is willing to buy into the chain's relentlessly upbeat philosophy. The company says it reserves the right to fire workers who do not.

CORRECTION-DATE: April 28, 1995, Friday

CORRECTION:
An article in Business Day on Tuesday, about differences between supermarkets in the Northeast and those in the South and the West, referred incorrectly to George Jenkins, the founder of the Publix supermarket chain. Mr. Jenkins is still alive at age 87, not "the late"; he is chairman emeritus of Publix.

GRAPHIC: Photos: GRAND UNION, CHAPPAQUA, N.Y. -- The supermarket chain has been criticized for below-average cleanliness and checkout speed, higher prices and a lack of variety. A shopper recently navigated aisles cluttered with carts and boxes. (Susan Harris/The New York Times); PUBLIX, LAKELAND, FLA. -- Customer service and clear aisles are among the chain's hallmarks. An employee recently carted a customer's bags to her car, above, while shoppers roamed the wide open dairy aisle, below. (Photographs by Tony Ranze/The Lakeland Ledger for The New York Times)(pg. D1); Publix's stores are known for their cleanliness, orderly displays and variety of products. Customers recently made selections in the produce department of the store in the Oakbridge Shopping Center in Lakeland, Fla. (Tony Ranze/The Lakeland Ledger for The New York Times)(pg. D6)

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