High-end and low-priced supermarkets expand on Long Island

Aisha Al-Muslim
LI Business

MARKET TRENDS

EVOLVING TASTES AND ECONOMICS ARE TRANSFORMING LOCAL SUPERMARKETS

F2-3

PEOPLE ON THE MOVE See who’s been hired, promoted newsday.com/business
The business of selling groceries on Long Island is changing rapidly, as shoppers’ incomes and habits shift in ways that are transforming supermarkets.

High-end venues such as Whole Foods and Wild by Nature, selling everything from fresh organic prairie bread at $5 a loaf to 165 grams of freeze-dried coconut water powder for $16.99, are expanding on the Island. Wild by Nature, which is owned by traditional supermarket chain King Kullen Grocery, of Bethpage, has grown to five stores from two in the last decade.

Specialty grocers such as North Shore Farms also have been growing here.

Meanwhile, stores focused on low-priced groceries are expanding. Among big-box discount retailers that sell groceries, Wal-Mart has 14 stores here, an increase of four from a decade ago. And value-focused chain Aldi, which opened its first store in Bay Shore in 2011, now has five locations.

Supermarkets dwindling

Traditional supermarkets still bring in the most shoppers and their dollars, but their numbers here and nationally are shrinking. The Great Atlantic and Pacific Tea Co., based in Montvale, New Jersey, has closed at least a dozen Waldbaum’s and four Pathmark stores on Long Island since 2010. There are at least 34 Waldbaum’s and 20 Pathmarks remaining in Nassau and Suffolk counties, according to the company’s website.

King Kullen has 39 traditional grocery stores on the Island, down from 46 a decade ago.

To woo higher-income shoppers, high-end stores and traditional supermarkets are selling a wide selection of fresh, less-processed, organic and natural foods, as well as gourmet-quality, freshly prepared, and ready-to-eat dishes.

Stop & Shop, for instance, has been remodeling 13 of its 43 stores on Long Island and expanding its produce assortment by 10 percent to 30 percent, spokeswoman Arlene Putterman said.

“We do really well competing against the niche players and the big-box stores by providing a wide array of healthy options,” Putterman said. “The food industry has changed over the past five years, and so has the consumer culture. It is a matter of keeping up with the needs of the consumers, who are looking for quality, value and getting in and out quickly.”

Middle incomes shrinking

One of the factors driving all this change is shrinking middle-class incomes and rising prosperity among higher-income consumers.

“High-end and low-end grocery stores are doing better than middle-end grocery stores,” said David Fikes, vice president of consumer and community affairs and communications at the Food Marketing Institute, which represents almost 40,000 retail food stores and 25,000 pharmacies nationwide. “We began noticing more of the diversification in the years emerging from the recession. Just as the middle class is getting squeezed . . . so is the middle market.”

Nationally, the food retail business, as it’s broadly called, is a $600 billion industry. Consumers spend an average of $102.90 per household per week, according to the Food Marketing Institute.

Shoppers are much more likely to visit multiple stores in a week than they used to be. They reported using 2.5 grocery “channels” “fairly often,” FMI’s U.S. Grocery Shopper Trends 2014 reported in June.

Gina Faiella, 46, of Bellmore, no longer shops at one place. She is among consumers who

Fresh vegetables are arrayed inside a Wild by Nature store in West Islip. More photos: newsday.com/business.

Fresh-baked bread is among organic items sold at Whole Foods markets. The chain now has three stores on Long Island.
shop store by store, department by department, based on needs. She spends about $200 a week on groceries for her husband, son and herself, and rotates among Stop & Shop, King Kullen and Pathmark.

“I go to different places depending where I am,” said Faiella, who recently bought coffee, cereal and paper goods at Stop & Shop in Freeport. “I don’t buy just what’s on sale, but the brands that I used to.”

**Many food sources now**

It’s a national trend as well. “Since the recession, people are willing to buy food from different places including drugstores, discount stores, dollar stores and warehouse clubs,” said Phil Lempert, national food marketing expert from Santa Monica, California-based SupermarketGuru.com. “Everybody wants to sell food. It’s not just Long Island, but the entire country.”

Conventional supermarkets have lost 15 percent of the market share over the last 10 years, he said.

Premium and “fresh-focused” stores normally attract affluent consumers with higher education and higher income — above $100,000 a year — looking for fresh produce and ready-to-eat foods, or those willing to pay more on certain occasions, according to FMI.

These stores are multiplying their locations on Long Island with the expansions of local grocers such as Wild by Nature, North Shore Farms, Uncle Giuseppe’s Marketplace, Iavarone Bros. Quality Foods and Giunta’s Meat Farms, as well as national and regional chains such as Whole Foods, The Fresh Market and Fairway Market.

Fairway, which sells a variety of fresh produce in large stores and is known for its wide array of olive oils, olives and ethnic foods, went from one location in 2001 to three this year. The growth of Wild by Nature is “in response to the growing consumer demand for organic, natural and wholesome food,” said Joseph Brown, president of the chain and senior vice president of King Kullen.

**Healthier food in demand**

Listening to customers’ demands and trying to keep ahead of trends on new items are essential to compete and gain shoppers’ trust, said George M. Tsiatis, spokesman for Commack-based North Shore Farms, which opened its first location in Glen Cove in 2003 and has expanded to five locations, with one opening soon in Bellmore. The industry “continues to grow more competitive, which is a great thing for our customers,” Tsiatis said. “Healthier food has become more mainstream, and specialty items have become more popular. Providing customers with that variety and value . . . is becoming more of the norm.”

Whole Foods now has three stores, two opened in the last 10 years. The grocer recently began a “responsibly grown” labeling system ranking fruits and vegetables as “good,” “better” or “best” based on the supplier’s farming practices, counting factors such as water, energy and pesticide use.

Eating foods without genetically modified organisms, pesticides and antibiotics, grown naturally and grass-fed are imperative for Melissa Lapera, 37, of West Babylon, who is five months pregnant. She switched from a nearby Stop & Shop to the recently opened Wild by Nature in West Islip as her primary go-to place for organic products. “I want to eat healthy for me and my baby,” Lapera said outside Wild by Nature. “I feel there are more options here with their vegetables because everything is organic.”

**Value at low-income end**

Value-focused retailers tend to attract shoppers with lower education and lower income — less than $35,000 per year — who are looking for value and savings more than for fresh products, according to FMI.

To compete with the demand for healthy food, Wal-Mart launched an effort in April with organic grocery provider Wild Oats to provide 70 affordable products — from salsa and pasta sauce to quinoa and chicken broth. The national retailer also operates a Neighborhood Market, a supermarket-style location in Levittown.

“We want to remove the price premiums typically associated with organic produce,” Wal-Mart spokeswoman Molly Blakeman said.

Choosing a location that would attract their target customer is important for food retailers because supermarkets traditionally have small profit margins, said Jayson Siano, managing principal of Garden City-based Sabre Real Estate Group. Specialty stores have moved into spaces where midrange supermarkets like Waldbaum’s closed starting in 2010, while other former supermarket spaces have been filled with gyms, he said.

“Long Island is a very dynamic area where anyone who has a niche and is good at what they do is typically successful because the high median household income translates to a high buying power,” Siano said. He was responsible for developing several local Trader Joe’s, and represents specialty grocers Kings Food Markets in Garden City and Balduccis, which is looking to open on the Island. “Overall, there are fewer grocery stores on Long Island. The smaller markets are not expanding as aggressively. There have been more old stores closing than new stores opening.”

But like a new restaurant opening up, specialty supermarkets can lose their luster with time, said Harry Balzer, chief industry analyst of the NPD Group, a Port Washington-based research firm. “Eventually, we would determine if it makes life easier and if it saves us money,” Balzer said. “In the end, if they don’t do that, they won’t be around long.”

*With Victor Ocasio*