

Why are so many supermarkets closing?



Devin Loring, @DevinLoring 4:49 p.m. EDT July 2, 2015

Scroll to the bottom of this story to see a list of supermarkets that have closed in Monmouth and Ocean counties over the past few months.



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(Photo: Tom Spader/Staff Photographer)

In June alone, three supermarkets in Monmouth and Ocean counties closed, while another was relocated to a higher-profile area, leaving its old, outdated store behind.

In some cases, the closings shocked local shoppers who frequented to same aisles for years. Other times, the closing announcements came with advance notice and were long rumored.

But why are so many supermarkets closing shop now?

Analyst Matthew Casey, of Matthew P. Casey & Associates (<http://www.mpcaseyassociates.com/>) in Clark, said New Jersey's grocery industry boasts fierce competition.

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The Food Circus Super Foodtown in Ocean Township is staying open, but a sister store in Toms River recently closed. (Photo: Tom Spader/Staff Photographer)

"The general public doesn't understand just how difficult it is to run a profitable supermarket," Casey said. "It's very challenging and the profit margin is very low."

On top of a low profit margin – think 1 percent or 2 percent – supermarket owners also have to deal with labor unions, niche retailers, and supermarket giants.



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[Stop & Shop closing Manalapan supermarket](#)

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This Stop & Shop supermarket on Tennent Road in Manalapan is closing July 10. (Photo: DEVIN LORING/STAFF PHOTO)

The giants

Lou Scaduto said it's difficult to compete against big-box retailers.

He should know. Scaduto, his brother, Phil, and cousins, Joseph Jr. and John Azzolina, are third-generation supermarket owners. The family owns six [Food Circus Foodtown](https://www.facebook.com/circussuperfoodtown) (<https://www.facebook.com/circussuperfoodtown>) supermarkets, as well as three Pet Supplies Plus stores and a number of area liquor stores, which include Spirits Unlimited franchises.

"I think the largest challenge of supermarket industry in New Jersey specifically, is you've got many more retailers and operators coming in to the market," he said.

Casey called them "monsters."

"There's more competitors like Wegman's, Fairway and Aldi, that didn't exist in New Jersey 10, 15, 20 years ago," Casey said.

In the early 1980s, Casey said New Jersey's supermarket industry was dominated by A&P and Pathmark. He doesn't think either of those chains – both of which are owned by the Montvale-based [Great Atlantic & Pacific Tea Co.](http://aptea.com/index.html) (<http://aptea.com/index.html>) – will exist a year from now.

According to the United Food and Commercial Workers Local 1262 rumors are circulating that A&P and Pathmark stores are courting potential buyers, and are accepting bids for its remaining stores.



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[Freehold Foodtown closing supermarket](#)

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The Foodtown on Route 33 in Freehold is closing. (Photo: DEVIN LORING/STAFF PHOTO)

In 2010 the company filed for bankruptcy and emerged in 2012 as a private company.

"For most of the last 40 years A&P management has come from other parts of country that didn't really understand, and really didn't learn how to operate successfully in the east," said Burt P. Flickinger III, managing director of [Strategic Resource Group \(http://srginsight.com/\)](http://srginsight.com/). "Some management came from Europe and they never figured it out either."

"ShopRite has done a tremendous job from the 1980s to current, of a slow steady growth," Casey said. "And now ShopRite's on top of the mountain."

Casey said ShopRite "pretty much does everything right," in terms of its low prices, promotional activity, advertising, service and the size and modernity of its stores.

But, Casey said, "The strong get stronger and then you have your fallout."



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[Super Foodtown of Toms River closing](#)

(<http://www.app.com/story/money/business/main-street/2015/06/03/super-foodtown-closing/28420899/?from=global&sessionKey=&autologin=>)



This Super Foodtown on Route 37 in Toms River closed last month. (Photo: DEVIN LORING/STAFF PHOTO)

Independent operators

Lou Scaduto's grandfather started in the supermarket business in 1956. Scaduto said brands have to "reshape" themselves if they want to survive.

On June 20, a Food Circus Super Foodtown in Toms River closed its doors. The store was located across Route 37 from a ShopRite that opened in 2011.

"There's a very, very low profit margin in this business," Scaduto said. "You have to do volume. That's really the reason we had to close our Toms River location. The landscape and market changed, it was a big unit. ... The volume I was doing I really couldn't sustain anymore."

Scaduto agreed that the powerful competitors such as Wegmans and "specialty operators" such as Whole Foods and Trader Joe's make the supermarket landscape difficult for smaller and independent operators to flourish.

"I think what becomes a little more cumbersome is that traditional operations are all unionized. We're proud to partner with unions, and offer our workers a good wage, (and) good fringe packages."

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Shoppers at the Food Circus Super Foodtown in Ocean Township. This store is staying open, but a sister store in Toms River recently closed. (Photo: Tom Spader/Staff Photographer)

Role of unions

"The long and the short of it is, over 85 percent of the establishments from which people in New Jersey are shopping are unionized," said John Niccolai, president of the United Food and Commercial Workers Local 464A. "When employers say 'We can't afford it,' that's a lie."

He said those employers include Walmart, Target, Wegmans and Whole Foods, which are not unionized.

"ShopRite is a very, very successful company. Stop & Shop is unionized. They're not having any problems," Niccolai said.

Flickinger said that Walmart counsels employees on how to get government benefits such as food stamps, Medicaid and Medicare. This, he said, is the federal government subsidizing the biggest food retailer in the world.

"Whether it's ShopRite or Foodtown or Stop & Shop, Kings or any other food retailer, it's more challenging to compete when local, state and the U.S. government, is subsidizing the No. 1 food retailer," Flickinger said. "It creates a very challenging environment for the individual ShopRite supermarket owner operator, for the independent Foodtown owner operator, as well as supermarket chains like Stop & Shop."

Although Scaduto stressed his company was proud to work with the unions and that it's great that unions fight for employee rights, he agreed that other retailers coming to New Jersey may not have the same constraints of unionized companies.

"I do not view it as negative, I just don't see the (parallel) of people selling the same type of stuff I sell day in and day out. It would be helpful that everyone was on the same playing field," Scaduto said.



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[ShopRite opening in Howell, closing in Lakewood](#)

<http://www.app.com/story/money/business/main-street/2015/04/15/shoprite-howell-lakewood/25827791/?from=global&sessionKey=&autologin=>

Casey sees something to that argument. He said that in part, union contracts contributed to the demise of A&P, and the rise of dollar stores and competitors in the state put too much pressure on the company, whose volume is a fraction of what it was during its peak.

Another factor that makes the landscape difficult, Scaduto said, is the number of restaurants the Jersey Shore has.

"Red Bank, walking down Broad Street, there's 95 restaurants, (and) more challenges we have to contend with," Scaduto said.

While restaurants might not sell groceries, they do offer customers another way to eat besides shopping at a supermarket and making their own meals.

Scaduto said he thinks the future of the industry will change even more. He's watching how Amazon will continue to affect the grocery marketplace, as well as services such as Fresh Direct and PeaPod, which deliver groceries straight to the door after an online order.



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Workers at the Food Circus Super Foodtown sushi bar in Ocean Township. (Photo: Tom Spader/Staff Photogr

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More competition

Big box supermarkets aside, other industries are stepping into the grocery game, Casey said.

Contemporary drug stores, such as CVS, compete with supermarkets with their food and beauty offerings, Casey said.

Pet stores such as Petco and PetSmart impact the pet care aisle of the supermarket.

Even Bed Bath and Beyond can compete with a supermarket in terms of beauty products, Casey said.

Also, almost everything found in a dollar store can be found in a supermarket, and Target and Walmart are huge stores that offer groceries, he said.

According to the [most recent data](http://www.ers.usda.gov/topics/food-markets-prices/retailing-wholesaling/retail-trends.aspx) (http://www.ers.usda.gov/topics/food-markets-prices/retailing-wholesaling/retail-trends.aspx) from the U.S. Department of Agriculture, Walmart Stores Inc. was the top grocery retailer in the country in 2013, and Target, for the first time, was included in the rankings, coming in as the country's 16th largest grocer.

"It's a very, very full lineup. It's a tough battlefield to go up against," Casey said. "That Route 9 corridor is brutal. You've got everybody who trades in New Jersey out on the Route 9 corridor."

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[Lakewood residents upset over loss of Kosher ShopRite](#)

(<http://www.app.com/story/news/local/jackson-lakewood/lakewood/2015/04/20/lakewood-shoprite-moves-howell-loses-kosher-deli/26096461/?from=global&sessionKey=&autologin=>)

CLOSING THEIR DOORS

April 21: ShopRite closes its Lakewood location but opens a new store in Howell four miles away.

June 19: Foodtown of Freehold announces closing.

June 20: Super Foodtown of Toms River closes.

July 10: Stop & Shop of Manalapan to close.

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