

## Ray's Market closure in Factoryville signals a delicate balance for independent grocers

BY JON O'CONNELL, STAFF WRITER / PUBLISHED: JUNE 18, 2017

FACTORYVILLE — Ray Petty tried for 10 years to expand his flagship grocery store.

In February, amid an increasingly competitive market for grocery retail, he made the final decision to shutter Ray's Market in Factoryville after 38 years of business.

The quaint market tucked in a hillside along College Avenue had offered a walkable alternative for groceries in the town that bills itself as "bucolic."

The supermarket industry grows increasingly competitive as shoppers can find cheaper groceries in discount stores, Walmarts and even order them online for maximum convenience.

One grocery analyst familiar with the region, however, says small, independent grocers in Northeast Pennsylvania have gotten very good at staking their claim on the market share.

Despite its size — only 8,500 square feet — Ray's had fresher produce and better meats than some of his larger competitors, neighbors said.

The odds were simply stacked against him.

For Petty to expand, he would have to level several residential buildings on adjacent property, and buy three acres of steep embankment behind the store owned by Loren Dixon, a businessman and developer.

ShurSave requires its grocery stores to be at least 25,000 square feet.

Though only one-third of the required size, the Factoryville store had been allowed to stay the same size, Petty said.

He has larger supermarkets in Montrose, Old Forge and Waymart that remain profitable, though he noted margins continue to shrink.

“Keep in mind, the bigger facility is not always better,” said Bob Gorland, vice president at Matthew P. Casey and Associates, a New Jersey site selection and grocery consultant firm.

“Because the bigger the facility, the much higher break even,” he said. “In fact, in some areas, it’s the large facilities that have a hard time making a profit versus the small facilities that have a lower occupancy cost.”

Gorland has worked with Petty over the years and other grocers that are part of the ShurSave grocery cooperative.

In places like suburban Philadelphia, it’s not the 20,000-square-foot grocery stores that are facing imminent closure, he said. It’s the ones that are two or three times that size, with much higher revenue thresholds to break even.

Kimberly Brower, 42, who’s lived on College Avenue near Ray’s her whole life used the grocery store when

she needed something in a pinch, like hot dog buns during a weekend cookout or when she ran out of a certain spice.

“That place was busy all the time,” she said, but admitted she does most of her grocery shopping elsewhere.

It’s that kind of trend that Petty, 67, said drove him to his ultimatum.

“Our store was outdated, and too small to serve the community,” he said. “That was a tough decision. My accountant said we needed to do it a lot sooner.”

While the supermarket arena may be growing more crowded, Gorland, who was intimately familiar with the Northeast Pennsylvania supermarket landscape, said small stores here have largely remained successful. They can offer convenient, neighborhood locations and they do a good job competing with larger chains on price, he said.

“A lot of these independents, especially when they’ve got good regional locations, a lot of them have managed to do OK regardless,” he said.

Petty’s store in Factoryville just ran up against too many obstacles.

Staying competitive was his biggest incentive to expand, the businessman said.

Dixon, who owns the Bunker Hill subdivision off Route 6 in Clinton Twp., said Petty never made him an offer, but he was willing to negotiate.

“Naturally, I wanted to get all I could get,” Dixon said.

Petty said Dixon wanted four times the appraised value for the property.

“Another guy wanted six times what it was worth,” he said, but added that most of the others were willing to accept appraised value.

In 2014, the state Office of the Budget had awarded the borough a \$1 million Redevelopment Assistance Capital Program grant to assist in the expansion, but everywhere he looked to grow landowners wanted too much, he said.

The state allowed the RACP grant to transfer to Keystone College, which is just south of Factoryville.

Keystone has not announced details of its plans for the grant, but in public application documents, it seeks funding for a multi-unit commercial building for needed services like a gym and a book store for both the community and the college to use.

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