

Central Pa. grocery scene ‘major battleground’ as Giant buys family-owned chains

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Family-run grocery stores

97 shares **1.8k**

By Sue Gleiter | sgleiter@pennlive.com

From time to time, Mike Pronio receives letters requesting to buy the property where his family's 100-year-old grocery store operates in Hershey.

The offers from brokers don't stand a chance.

"I throw them in the trash," Pronio said.

While he confesses business is tougher than ever, the third-generation owner said he is committed to Pronio's Market, founded in 1919 by his grandparents.



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The corner store sits along residential West Caracas Avenue and caters to the neighborhood, selling such basics as eggs, milk and laundry detergent, as well as in-house butchered meats, homemade sausage, Italian foods and specialty items like Chocolates by Tina Marie of Hummelstown.

"I would never take my toys and go home. What would happen to this business? What would happen to the people who have worked here all these years?" Pronio said.

Increasingly, independent grocery store owners are folding to the competition in a crowded market of warehouse clubs, drug stores and discount chains. Many owners say it no longer makes financial sense to be in an industry marked by low profit margins and increased competition.



Pronio's Market, at 236 W. Caracas Ave. in Hershey, has been family owned and operated for 100 years. September 5, 2019. Dan Gleiter | dgleiter@pennlive.com

Nowhere is that scenario playing out more than in Lancaster County, where over the past 18 months three family-operated markets have announced closings.

Recently, owners of Musser's Markets said they are selling three stores in Quarryville, Columbia and Lebanon to Giant Food Stores after 94 years in business. The sale is expected to be completed in October.

Earlier this year, a similar story unfolded when Ferguson & Hassler sold its Quarryville store to Giant. Darrenkamp's Markets shut down four stores last year, selling its flagship store in Willow Street to Giant.

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All of the  cited similar reasons for approaching the Carlisle-based Giant chain, including increased competition, a changing industry, customer buying habits and online pressures.

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"Yes, times are tougher. Times are tougher for everybody, but the smaller guys have a tougher time," said Jeff Metzger, publisher of [Food Trade News](#), an industry publication.

The marketplace is drawing the smaller grocers to possibly sell or get out of the business, and bigger chains such as Giant have been aggressive about pursuing those opportunities to increase market share, Metzger said.

In the eight-county central Pa. market covering Adams, Cumberland, Dauphin, Franklin, Lancaster, York, Lebanon and Perry counties, [Giant leads the pack with a market share of 49.86 percent, according to Metzger's publication.](#)

Weis Markets of Sunbury follows in second with 19.02 percent, while C & S Independents, representing independent grocers, is in third with 3.90 percent of the market share.



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Giant Food Stores opened Giant Direct, Powered by Peapod delivery and pick up service in Lancaster in February. File photo by Dan Gleiter | dgleiter@pennlive.com

Giant's spokesman Chris Brand said the chain has invested \$22 million in Lancaster, including the addition this year of a [Giant Direct, Powered by Peapod hub in the city](#), several store remodeling projects as well as the addition of the new stores.

"Our customers' expectations continue to increase so it is important that we have a constant improvement and innovation-focused approach, and our recent investments in Lancaster will allow us to meet those expectations," he said.



Meanwhile, Metzger said stores such as Stauffers of Kissel Hill, Oregon Dairy and John Herr's Village Market and others continue to demonstrate they

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are stalwarts of the community with long histories and loyal support.

But competition remains tough and "when you look at the totem pole, the little guy will always be challenged," Metzger added.



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Whole Foods opened in Manheim Township, Lancaster County, in June 2018. It's the first Whole Foods to open in the southcentral part of Pennsylvania. File photo by Sean Simmers | ssimmers@pennlive.com

A glut of grocery stores

The biggest challenge family-owned stores face is a crowded market.

Over the past 18 months Whole Foods and Wegmans arrived in Lancaster.

Discount grocer Aldi has also made in-roads, with new stores and remodels of current stores. Last year it opened a new store in Lower Paxton Township and it is building one on the Carlisle Pike in Silver Spring Township.

German-based retailer Lidl opened its [first store in central Pa. this summer in York County](#) and plans to open another one in Lancaster County.

- **RELATED:** [Which store leads the pack in food sales in central Pa.? Walmart, Giant or Sheetz?](#)

Along with a glut of grocery stores, factor in how shoppers are no longer turning solely to supermarkets to fill their grocery needs. Drug stores now sell food, as do convenience stores, as well as Dollar Stores, Target and Walmart.

Adding to the competition, online retailers such as Amazon are grabbing a bigger share of the market with online ordering, while grocery delivery through models like Instacart and "click and collect" pickup services boom.

"What we are seeing in the industry in the last five to 10 years, in some markets they are getting a little overstored," said Bob Gorland, vice president of Matthew P. Casey & Associates in Harrisburg, which specializes in supermarket site selection and feasibility studies.

Acquisitions and closings are inevitable when so many stores are angling for a piece of the competition. In the end, shoppers decide the winners and losers.

The trend has played out nationwide over the past decade, Gorland said. In 2016, the [Wall Street Journal cited commercial real estate firm CoStar Group's report](#) that the amount of retail space per person hit an all-time record at 4.15 square-feet.

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Many have predicted an industry-wide shakeout. In overstored markets like Lancaster County, Gorland said there is little to no estate available for chains to expand, so one way they can grow is through acquisitions.

At the same time, he said family-owned grocers notice stagnant sales and increasing competition or don't want to invest in store upgrades, so they take a proactive approach. Other times they sell because they want to retire or don't have family members interested in taking over.

As Jim Kidwell, director of marketing for [Family-Owned Markets in Lancaster](#) sees it, Giant is taking an aggressive approach.

"It's a crazy market. There is a lot of business, but the big guys all seem to want a piece of it, and it has become a major battleground," he said.

The 16-year-old group allows family-owned grocers such as Martin's Country Market, John Herr's Village Market, Oregon Dairy and Yoder's Country Market to consolidate resources, especially to boost social media presence and pay for advertising. Next year, the group will expand into York County with Saubel's Markets joining, as well as several other independent chains, he said.

But it doesn't always work out, as evidenced by Musser's, which also operates under the Family Markets umbrella.

"The Musers just felt the business is changing way too rapidly and just kind of felt they weren't really sure that's the business they wanted their next generation to be in," Kidwell said.

Despite the last two years being a challenge with Giant pushing into the county, Kidwell said family-owned markets still stand a chance.

Standing out from the pack



Scott Karns, owner of Karns Quality Foods, at the store in Lemoine. The family-owned chain operates eight stores and is about to open a ninth store. September 16, 2019.
Dan Gleiter | dgleiter@pennlive.com

Scott Karns, CEO of Karns Foods, doesn't need to be reminded he works in a tough industry.

"If you're not afraid you are in the wrong business," Karns said. "We are 100 percent looking over our shoulder and looking at what our competitors are doing, and we have to ready for those problems and issues. That's just the way business is."

The 60-year-old chain, founded by his father David Karns in 1959, is preparing to open a ninth store next year at the former Darrenkamp's in Newberry Township, northern York County. The rest of its stores are scattered in Cumberland, Perry and Dauphin counties.

While others face tough times, Karns said business is growing. For a small player in a competitive marketplace with Giant and Weis, Karns has held its ground. It ranks fourth by marketshare in central Pennsylvania with sales of \$137.25 million.

The chain's success, Karns said, is built on customer service and employees, many whom have worked at the stores for decades. In addition, Karns' next generation, including daughters Andrea and Megan Karns, and nephew Mat Rudderow, are influencing decisions and helping to maintain relevancy, Karns said.

The chain's no-frills stores and "meat and potatoes" inventory helps, too. The 84-foot, full-service meat and seafood cases, regionally grown produce, such as Adams County apples, and local favorites like ham loaf and whoopie pies are among the hallmarks.

- **MORE:** [Roving robots arriving at Giant Food Stores](#)

These days, Karns said one of the biggest hurdles independent grocers face is implementing grocery delivery and curbside pickup services.

"It's only  all percent, but in our industry being short by a few percentages is huge," he said.

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More than ever, independent operators need to stand out in order to survive, Kidwell said. Many of the stores in Lancaster offer amenities such as

More than ever, independent operators need to stand out in order to survive, Kidwell said. Many of the stores in Lancaster offer amenities such as banquet space, ice cream stands and restaurants.

Specialized customer service, such as loading groceries into shoppers' cars, can also make a world of difference for smaller stores.

"They need to stay focused on customer service. It's something we can do better than the big guys," Kidwell said.

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