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NEWS

Is Philly soda tax solely to blame for closing of West Philly ShopRite?

by [Laura McCrystal](#), Updated: January 17, 2019



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When Jeff Brown announced this month that he would [close his ShopRite store in West Philadelphia](#), he blamed the city's tax on soda and other sweetened beverages.

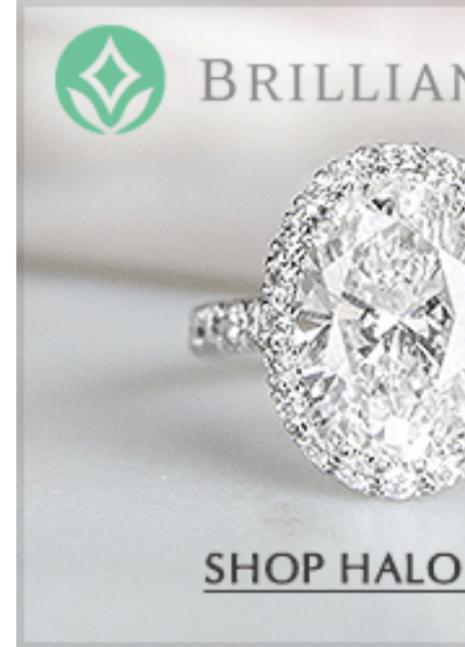
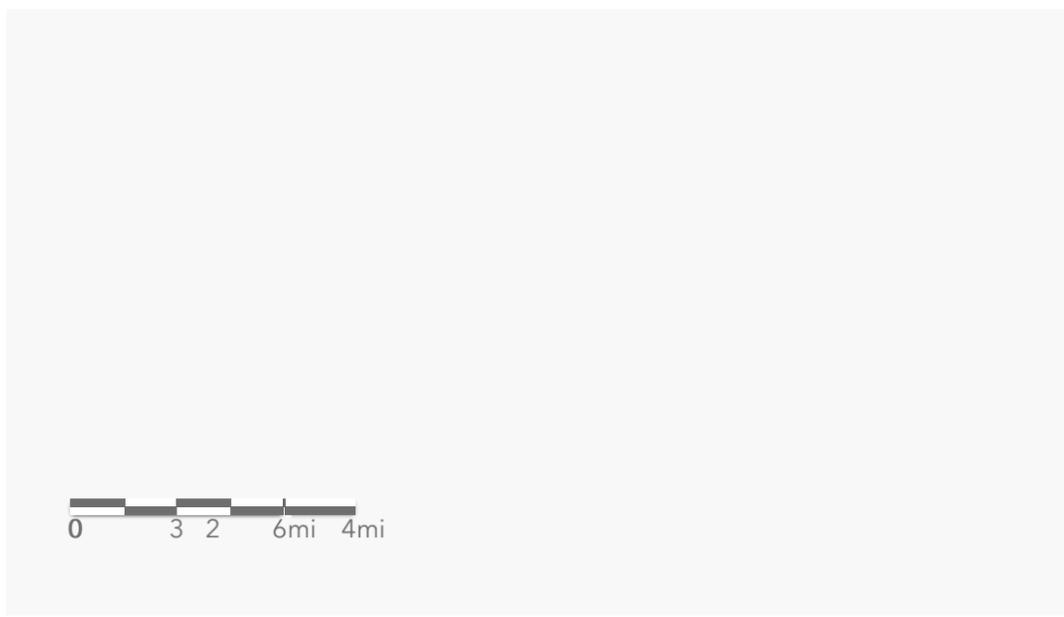
Mayor Jim Kenney's administration hit back, defending the tax — likely to be a major issue in the [upcoming mayoral and City Council elections](#) — and saying Brown was using it as a scapegoat.

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So who is right?

Industry experts say that while the beverage tax would not have been the only factor that led to Brown's drop in sales and his decision to shut the store, it was likely a significant contributor.



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“To blame the sugar [and sweetened beverages] tax alone might be inappropriate, but to say it’s not related might also be inappropriate,” said Richard George, a professor emeritus of food marketing at St. Joseph’s University.

The property the store occupies was sold in August, though Brown and his new landlord both say that did not factor into the closing. Other factors that could have affected sales: The Haverford Avenue ShopRite is smaller than others in the city, and less updated; food stamp sales have declined in recent years; and an Aldi store opened less than two miles away about three years ago could have cut into the customer base.

Brown, CEO of Brown Superstores Inc., said those issues only had minor effects on his bottom line and could not account for all of a 23 percent drop in sales since the beverage tax went into effect. He called the tax “the big, 800-pound gorilla” that made the store unprofitable.

The Kenney administration has been critical of Brown, citing a study that found declining sales in Philadelphia supermarkets since 2014 — two years before the soda tax was passed — and claiming that [other supermarkets have opened](#) in the city since the [1.5-cents-per-ounce levy](#) went into effect.



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“Clearly, a good number of retailers have confidence in their ability to operate a profitable grocery in Philadelphia,” Mike Dunn, a spokesperson for Kenney, said in an email this month.

A new landlord

The ShopRite property sold in August for \$5.15 million. Ravinder Chawla of Sant Properties, one of the new owners, said he would have liked Brown to keep the ShopRite open.

“He had the lease, so it was his option,” Chawla said. “We knew he was struggling there, so we were prepared that he might be closing.”

Both Brown and Chawla said the rent would not have increased under the new owners because Brown had an existing lease and exercised his option to leave it.

Chawla said the ShopRite will likely be redeveloped into a property with multiple stores. He said he’s had interest from potential tenants such as dollar stores, gyms, and coin laundries.

Jim Engler, Kenney’s chief of staff, said the city has been in touch with the new owners to help them identify prospective tenants that would fit the site and the community’s needs.

“We’ll be working closely with them to help identify tenants, and we’ll be as supportive as we can,” Engler said.

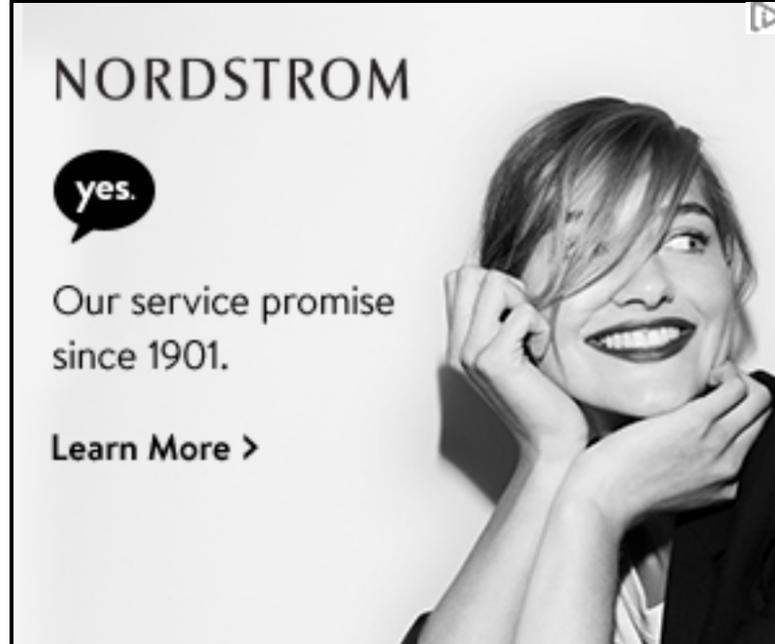
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A worker places a store closing sign at the ShopRite on Haverford Avenue in Philadelphia. The sign declares that the store’s closing is “a result of the Philadelphia Beverage Tax.”

Another closing in Lower Merion

Days after Brown announced that he would close the West Philadelphia ShopRite, [Acme announced that its Gladwyne store would shut down](#) in February.

The two stores have similarities; both are smaller and more outdated than other supermarkets in the area. But they also have differences; the Acme did not have to deal with the city’s beverage tax, but is in a more affluent neighborhood and has had to compete with more upscale stores such as Whole Foods.



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Robert Gorland, vice president of Matthew P. Casey & Associates and a consultant in supermarket site selection and feasibility, said he saw just one key similarity between the two closing announcements.

“I think people make decisions at the end of every year,” he said. “Those decisions are made all the time.”

Brown acknowledged that the Haverford Avenue ShopRite is smaller than many other stores he owns, but said larger stores cost more to operate. He said he had looked into making upgrades to the West Philadelphia store, such as adding beer and wine sales, but did not find it feasible because there was no space to expand.

Supermarket Owner Blames the Soda Tax for Store's Closing

Jeff Brown, the owner of seven ShopRite and Fresh Grocer supermarkets in Philadelphia, is closing a store in West Philadelphia in March, saying it has become unprofitable because of the sweetened-beverage tax that went into effect in 2017. Brown said his company would offer free rides via Lyft to his ShopRite at N. 52nd Street to customers affected by the closing.

Click on the map for more information.

Supermarkets owned by Brown's Super Stores Inc.

● Closing in March ● Remaining open

SOURCE: Brown's Super Stores Inc.

JOHN DUCHNESKIE / Staff Artist

“Beer and wine adds about 1.5 percent to your sales — in a good store maybe 2 percent,” he said. “The Haverford store is down 23 percent. So adding the beer and wine did not seem like a savior.”

Gorland said it is also harder to turn a profit in an urban supermarket than in a suburban one, because operational costs are higher in cities.

Declining food stamp sales

Sales through the Supplemental Nutrition Assistance Program (SNAP), which Brown said he tracks closely because he owns stores in low-income neighborhoods, have declined in the last several years.

“I don’t consider that a factor in this,” Brown said, “or not a significant factor.”

Brown said he believes that SNAP spending at supermarkets has decreased because more people received benefits during and after the recession.

“Of course not every penny of sales loss is going to be attributable to the tax,” Gorland said. “Of course that’s not the case. It was probably the majority of the sales loss, but not all of it.”

Aldi and increased competition

An Aldi store opened on City Avenue less than two miles away from the Shoprite in December 2015 — one year before the beverage tax went into effect.

“We always refer to Aldi as kind of a silent killer,” George said of the no-frills grocery chain.

Gorland said the opening of an Aldi near a traditional supermarket can typically have up to a 4 percent effect on sales.

While any nearby store, whether it's an Aldi or a bodega, can have a slight impact on sales, Brown said, he does not consider those fluctuations to be significant compared with the beverage tax.

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Brown "was able to take on a lot of risk and work with a very narrow profit margin there, and weather a lot of things" to operate stores in low-income neighborhoods, said Wendell Young IV, president of the United Food and Commercial Workers Local 1776, the union that represents workers in Brown's stores.

"I do believe that the soda [tax] was the straw that broke the camel's back," Young said. "Was it the only thing weighing on the business? No."

Posted: January 17, 2019 - 11:01 AM



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