

Price Operators Rule Philadelphia

ACME MARKETS, THE longtime Philadelphia grocery institution, is under siege from a number of competitors that share more than a desire for its leading market position.

Area observers note that competitors with a strong emphasis on price — Giant, Pathmark, ShopRite and Wal-Mart Supercenter among them — have made advances in share over the last year while Acme saw its leading share slip to 18% from 18.9% a year ago, according to Metro Market Studies, Tucson, Ariz.

The Philadelphia Metropolitan Statistical Area encompasses the city and nine surrounding counties, including New Castle County, Delaware and Cecil County, Maryland. It is home to 5.9 million people, making it the country's sixth-largest MSA

in population. The population has above-average buying income, with retail food sales just a tick below U.S. averages, Metro Market statistics show.

"There are almost 6 million people here," noted Matthew Casey, whose consulting firm, Matthew P. Casey & Associates, Clark, N.J., advises developers and retailers in the area. "That's a lot of mouths to feed."

From Clark's perspective, food retailers with a reputation for value and the ability to present strong values when the market calls for them are positioned to succeed in Philadelphia, which despite enduring the nationwide economic slowdown relatively well is not exempt from a consumer flight to value.

"Almost all of the brands that are gaining share here

are those that appeal to a price-conscious shopper, even BJs and Costco," Casey said.

Gainers in the market include Giant-Carlisle, the Ahold-owned EDLP operator that has approached Philadelphia from the north and west in recent years, adding 13 area stores that it acquired from Clemens Markets in 2006. Giant's market share is 11%, up from 10.3% in 2008, Metro Market Studies said.

The region is also home to 12 different ShopRite operators in the Wakefern cooperative, whose combined share would be 15.9%, or second largest in the region, though no one operator controls more than 3.8% of the market. These stores tend to be aggressive with price and drive heavy volumes, Casey noted.

"George Zallie doesn't care about pleasing the sharehold-

| RETAILER | MARKET STORES | MARKET SHARE '09 | SHARE '08 |
|-------------------------|---------------|------------------|-----------|
| Acme | 83 | 18.0 | 18.9 |
| Giant Food | 45 | 11.0 | 10.3 |
| Wawa | 325 | 10.0 | 10.8 |
| Pathmark | 32 | 8.3 | 6.8 |
| Genuardi's | 32 | 7.0 | 6.9 |
| Brown ShopRite | 12 | 3.8 | 3.5 |
| SuperFresh, Food Basics | 23 | 3.4 | 5.3 |
| Zallie ShopRite | 10 | 3.4 | 3.4 |
| BJ's Wholesale | 12 | 3.3 | 3.0 |
| Wal-Mart Supercenter | 7 | 2.6 | 1.3 |
| Costco | 4 | 2.5 | 2.4 |
| Cherry Hill ShopRite | 6 | 2.5 | 2.5 |
| Wegmans Food Markets | 4 | 2.0 | 2.1 |
| Sam's Club | 7 | 1.9 | 1.9 |
| Whole Foods | 7 | 1.6 | 1.6 |

Includes Bucks, Chester, Delaware, Montgomery and Philadelphia counties in Pennsylvania; Burlington, Camden, Gloucester and Salem counties in New Jersey; New Castle County in Delaware; and Cecil County in Maryland.
SOURCE: Metro Market Studies

ers or analysts. He can get as aggressive as he wants with pricing and he has the vol-

ume to show it," said Casey, referring to the Clementon, *Continued on Page 24*

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N.J.-based operator of 10 area ShopRites. "He's one of Wakefern's top operators. If I'm a developer, pound for pound, that's the kind of guy I want going into my center."

The success of price-and-volume-focused food retailers has been illustrated by the changes to the Philadelphia inventory of A&P, which operates the conventional SuperFresh banner in Philadelphia and recently acquired Pathmark. For the past several months, A&P has been converting certain SuperFresh locations to Pathmark Save-A-Center, a "price-impact" box with a variety of value programs, including more family-sized packages; "Yellow Tag" price reductions; thousands of items on a "Price Hold" EDLP program; and weekly "Power Prices."

"My understanding is that, at least at first, those changes were working out in giving them the increase in volume that they were looking for. It worked because A&P had stores in price-conscious neighborhoods that responded," Casey said. "What I don't know is how well they've been able to sustain it."

The conversions helped push Pathmark's share of area volume to 8.3% from 6.8% but that was accompanied by a similar drop in market share going to SuperFresh, according to Metro Market Studies.

Wawa, with a 10.8% share, illustrates the potential of a fresh-food-focused convenience store in the region, although its share of the market dropped some from 2008.

Other growing banners in Philadelphia include BJ's Wholesale Club (3.3% overall share), Wal-Mart Supercenters (2.6%) and Costco (2.5%).

— Jon Springer