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Upscale grocers thrive in down times

Shoppers are willing to pay extra for organic produce, gourmet carry-outs.

Jennifer Youssef / The Detroit News

Just a few weeks ago, Whole Foods Market opened a new store in Ann Arbor, a spacious location that boasts a wine bar, cafe, coffee bar, free Wi-Fi and an in-store smokehouse with a self-serve hot foods bar.

A few months ago, locally owned Hiller's Markets Inc. opened its second store in Commerce Township, an expansive, state-of-the-art supermarket, complete with a lifestyle center that features a Sanders' Ice Cream Parlor.

And earlier this year, Holiday Market completed a \$5 million renovation of its Royal Oak store to include an expanded produce section and bakery, new cooking school, wine tasting room, catering business and a gourmet meals-to-go station.

Despite the region's dismal economy, upscale grocers are flourishing in Metro Detroit, expanding and adding stores to serve a sophisticated and growing customer base that wants organic produce, natural and international foods, gourmet carry-outs and a glass of wine or a Sanders' hot fudge cream puff while they're shopping.

"A trip to Europe may be out of the question, but consumers can still go to the grocery store and get the ingredients for a meal they would have eaten there," said Linda Gobler, president and CEO of the Michigan Grocers Association. "People want to do something to make themselves feel good."

Industry experts and grocers say there's a need for more supermarkets in southeastern Michigan, especially with the departure last year of the Farmer Jack chain. Vacant stores and cheap rent -- a result of the region's sluggish real estate market -- are helping upscale and independent grocers expand, industry experts say.

"Even if the economy isn't thriving, there are good (vacant) supermarket locations and independent and higher-end grocers are simply replacing them," said Bob Gorland, a consultant who specializes in the supermarket industry.

"There's a need for a grocery store in that neighborhood. They're basically filling a niche."

Customer service stressed

There are fewer grocery chain stores in Metro Detroit now than there were 25 years ago, he said.

Among the reasons: bankruptcy, consolidation and the emergence of Wal-Mart, Target, Meijer and other superstores.

Consumers, on one hand, have more choices to shop for food -- and at cheaper prices -- but there are fewer traditional markets, leaving room for more upscale grocers that not only offer higher-end and organic food but also emphasize customer service, analysts say.

There's been a strong demand for natural and organic foods in Ann Arbor and Detroit's suburban communities, said Kate Klotz, a Whole Foods spokeswoman, explaining the Texas-based chain's move to bigger digs in Rochester Hills and the opening of a second store in Ann Arbor.

Grocers have a "long-term vision" when they expand, said David Livingston, a supermarket research analyst.

They can get a good deal when buying or leasing property, which will allow them to ride out an economic storm. Many of the grocers had expansion plans in the works long before recent economic downturns.

"There are still upper income people in neighborhoods and that's where many smaller gourmet and niche stores are located," he said.

Expansions add amenities

Other Detroit-area retailers have expanded to meet customer demand in their neighborhoods or nearby communities.

With its customer base growing, Holiday Market added 20,000 square feet to triple the size of its produce and bakery departments and to add a wine-tasting room and a second-floor cooking school.

Store owner Tom Violante said he noticed customers have been coming from farther away to shop at the Royal Oak store.

"The customer experience is what it's all about," Violante said. "If you give customers what they want and do all the right things, you can continue to grow your business."

Orchard Lake-based Plum Market opened a 35,000-square-foot supermarket in Ann Arbor in January.

The company specializes in natural, organic and local food. The company also has a store in Bloomfield Township and has plans to open grocers in Royal Oak and West Bloomfield.

Jim Hiller, owner of Hiller's, saw the potential for growth in Commerce Township and the plans to open there pre-dated the downturn in the economy. The company has responded by offering cheaper brands.

It's customers like Shelley Goldberg of West Bloomfield Township that stores like Hiller's strive to serve.

Goldberg shops at the Hiller's store near her home because she likes the selection of international foods and finds the produce better. Goldberg said she'd rather pay a couple extra dollars for higher quality food than shop for bargains.

"The produce is fresher, the staff -- if you have questions -- is knowledgeable, the selection is better and so is the quality," she said.