

Grocer trends create 'deserts'

Superstores supplant neighborhood outlets

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By outfitting the underperforming supermarket with self-scanners, new signs and freezer units, Kroger hopes to attract more shoppers and sell better quality products at a faster rate. It also hopes to appease a neighborhood once up-in-arms over the prospect of losing its commercial anchor.

Kroger's decision to close an unprofitable and aged store in Roselawn last month has spotlighted again a years-long debate over the role grocers and municipalities should play in providing residents with healthy food.

This time though, the issue is on stronger footing. Troubled by rising obesity rates, a local Food Access Task Force is working to identify communities with limited access to fresh and healthy food, areas it calls "food deserts." State and federal organizations have pinpointed examples of these deserts all over the country. President Barack Obama has made supermarket expansion and access to food key priorities in his 2011 budget.

• **Map of groceries, walking distances**

Cincinnati City Council members fear for the future of Kroger stores in Walnut Hills and Over-the-Rhine, locations the grocer says still aren't profitable after it agreed to keep them open and invest in improvements.

In Roselawn, community leaders are scrambling to help residents find a suitable grocery alternative.

The Enquirer studied the locations of supermarkets in 2000 and compared the findings to 2010. The analysis found that the total number of grocery stores increased only slightly, by two to 181, in the past 10 years. But there's been a marked shift in grocers' focus from local city neighborhoods to communities with a regional draw.

Besides five fewer stores in the city of Cincinnati, urban areas such as Covington and Mount Healthy and rural communities such as Morrow and Ross Township have lost grocery stores. Meanwhile, the greatest increase in supermarket construction over the decade occurred in the northern suburbs.

Demographics can explain some of the shift. National grocers such as Kroger and Walmart also changed their business models, sometimes forcing small, neighborhood operators out of business.

"Trade areas are bigger than individual neighborhoods now," said Lynn Marmer, Kroger's group vice president of corporate affairs. "The shopper today wants more in a store - what we can put in a 70,000-square-foot store."

Vanishing independents

In 2000, Thriftway still operated 21 regional supermarkets. IGA operators had 27. About 20 stores were small independent markets. Just one Walmart sold groceries. And Kroger's 62 local stores averaged 49,000 square feet.

But residential building booms over the past decade in Butler and Warren counties in Ohio and in southern Boone and Campbell counties in Kentucky drew residents out of city neighborhoods and inner-ring suburbs.

Kroger started building larger stores in those suburbs, and in 2008 introduced the Marketplace concept. Offering larger grocery departments and a wide array of general merchandise, those stores would attract shoppers not just from the neighborhood, but from five miles away.

Walmart, which operated its stores in regional shopping areas, spent the decade converting all but one into Supercenters with expansive grocery departments. Still, not one of the stores is in Cincinnati. The retailer typically builds on large plots of vacant land, of which the city has little.

In Cincinnati, property values and incomes grew in the neighborhoods of Oakley and Hyde Park and dropped in other city neighborhoods. Oakley soon had two more grocery stores, Westwood two fewer.

Because grocery stores exist on such tight profit margins, it made sense to build larger stores that sold more goods faster. In urban areas, Kroger could operate most efficiently in a central location that served both its highest income and lowest income residents.

Three of Kroger's most successful urban stores became those in Oakley, Norwood and Spring Grove Village, Marmer said.

Municipalities reinforced these activities, often providing tax incentives for new Kroger or Walmart-anchored retail developments.

Small stores, small sales

Meanwhile, it became harder for grocers to operate smaller format stores, especially in areas with declining populations. Twenty-one IGAs and many family-owned stores shut down over the decade. Thriftways closed or were purchased by bigg's and Kroger.

"You don't get the sales levels in the inner city that you do out in the suburbs," said Matt Casey, president of Matthew P. Casey & Associates, a New Jersey-based grocery industry consultant. "You tend to have a lower-income customer base, so they're not spending as much. They don't make the impulse buy."

Land and occupancy costs are typically higher in urban areas. And those stores are often more prone to theft and security issues. It also can be harder to recruit and retain a quality workforce, Casey said.

Inventory and staffing can be difficult for stores that deal with a higher percentage of SNAP benefits (the government's food stamp program), which are typically provided and used at the beginning of the month, said Steve Goessling, president of IGA stores in Reading; Georgetown, Ohio; and Warsaw, Ky.

Rising state taxes, workers' compensation and insurance rates provide challenges for independent operators, Goessling said. They can't adjust prices to compensate because they must meet the prices of their larger competitors. Vendors are often less willing to provide the same service to a smaller operation as to a national chain.

Agencies such as the Avondale-based Center for Closing the Health Gap and the national PolicyLink are pushing municipalities to pay closer attention to the plight of the small grocery operation. It could be that the small operator has the greatest flexibility to operate a neighborhood store in a desert.

"One of our strengths is the mere fact that we don't answer to stockholders," Goessling said. "The business model that needs to be at work is very difficult for Wall Street chains to solve."

Ideas tried elsewhere

In Pennsylvania, a public-private partnership among the state, private developers and grocers has spurred \$165 million in investment in 78 projects in urban and rural communities. More than 1.5 million square feet of food retail space has been created.

Specifically, ShopRite stores have found a way to be profitable in Philadelphia's poorest neighborhoods, said Judith Bell, executive director of Oakland, Calif.-based PolicyLink.

In Washington, D.C., Yes Organic Markets has committed to building stores in areas with high unemployment, below-average incomes and vacant commercial districts. The city's Department of Housing and Community Development has agreed to fund a portion of the first project, a mixed-use development that includes a store and apartment complex.

Obama's 2011 budget proposal includes \$400 million for programs like these that expand access to healthy food options.

The larger chains are paying attention, too.

CVS Caremark Corp., which operates 7,000 retail stores nationwide, recently announced that it will expand its grocery selection in urban stores. Specifically, it plans to add fresh salads and sandwiches.

Walmart CEO Michael Duke wrote in the company's annual report that his chain sees opportunities in major metropolitan markets for innovative new formats. Meijer will open its second traditional supermarket in a dense suburb of Chicago this summer. At half the size of a Meijer superstore, it reuses vacant space. The retailer has said it will look at similar opportunities in other urban areas.

Kroger says it needs access to an educated workforce as well as ease in assembling land and gaining permits to expand in a city. Kroger CEO David Dillon has served on national panels to discuss the issue.

"We're open to anyone's suggestions on how we can serve more people and make a small profit," Marmer said.

Boosting access here

Locally, first steps already have been taken to make fresh food more easily available in some urban neighborhoods. The Center for Closing the Health Gap, which works to ensure that residents of local low-income communities have equal access to health care, has launched its Do Right! campaign in Avondale, Walnut Hills, Price Hill and Norwood. Initially, the center set out to educate residents about healthy lifestyles and diet choices. Since 2003, the center has reached 545,710 people with its campaigns and outreach.

It will have 11 functional community gardens in city neighborhoods by year's end, Executive Director Renee Mahaffey Harris said.

But key to the program is recruiting supermarkets into urban areas. Along with the Food Access Task Force, which the city of Cincinnati appointed to study the issue, the center has engaged PolicyLink to help research options and make recommendations to the city.

"Supermarkets generate neighborhood revitalization," said PolicyLink's Bell. "You get this triple bottom line: the health benefits, job benefits and neighborhood benefits."

The center has worked with state Sen. Eric Kearney, D-North Avondale, to draft legislation that would provide statewide incentives similar to Pennsylvania's program.

The University of Cincinnati's Community Design Center also has gotten involved. It will soon launch a citizen's advocacy group called the Cincinnati Regional Food Policy Council.

Center Director Frank Russell hopes the council can encourage new ways of thinking about access to food. Besides tax incentives, he suggests that the city encourage suppliers to give convenience stores the same discounts they give grocery stores for purchasing fresh food in bulk. Or, he says, subsidies could be provided to grocers to transport residents of underserved communities to and from stores on buses with refrigerated compartments.

"Water is infrastructure. Sewers are infrastructure. Electricity and transportation to a large extent are," he said.

"Food, to me, is a basic need that should or could be supported by a municipality."
