

Grocery stores fare well in lean times

Sales up as people forgo dining out, research shows

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People are eating out less these days.

They're still eating — just at home.

And the beneficiaries are grocery store chains such as Acme Fresh Market, Giant Eagle and Buehler's Fresh Foods.

As other sectors of the economy are laying off workers and cutting back production shifts, the grocery-store industry seems to be financially stable.

According to North Carolina-based marketing research firm Sageworks Inc., privately held grocery-store sales were up 5.7 percent in 2007 and are up 7.9 percent in 2008, while privately held restaurant sales were up 4 percent in 2007 and 2.2 percent in 2008.



Jeanne Huber of Cuyahoga Falls, looks over private-label boneless ham Tuesday at the Acme store on Bailey Road. More shoppers are turning to private-label products, grocery store executives say. (Paul Tople / Akron Beacon Journal)

Area grocery executives are also reporting healthy sales.

But the industry still is operating at its traditionally low profit margins.

"The overall business is up as people are eating out less," said Jim Trout, vice president of merchandising and sales for Acme Fresh Market.

But Trout added, "It's still tough."

Officials at Acme and Buehler's, both private companies, declined to reveal financial details, citing competitive reasons. Both report a significant increase in store

brands, or products sometimes called generic or private-label brands.

"We are absolutely seeing more consumers become value-conscious. There's an increase in private-label [sales]. They are leaving brands to go to private labels. They can save money, 20 percent less than the brand names," said Trout.

Acme has 15 locations in Summit, Portage and Stark counties and one in Parma in Cuyahoga County.

Buehler's customers often pick private-label brands over name brands in blind taste tests, said Mary McMillen, director of consumer affairs. Buehler's has 13 locations in Northeast Ohio, including stores in Medina, Stark and Wayne counties.

While sales in some categories of store brands, particularly in pantry staples, tend to grow during tough economic times, that growth primarily affects non-No. 1 brands, said Maribeth Badertscher, director of corporate communications for the J.M. Smucker Co. The Orrville-based food company best known for its jams and jellies also owns such brands as Jif peanut butter, Crisco oil, Pillsbury and recently acquired Folgers coffee.

Noting that recipes are handed down through generations, "some feel that store brands may help them save a few pennies in the short-term, [but] we find that consumers continue to prefer our . . . No. 1 brands to preserve treasured family traditions and help create new ones," Badertscher said in an e-mail statement.

Smucker market data show that more meals are being prepared and served at home during the challenging economic time.

The grocery store industry is one of the best businesses to be in now, said Tom Jackson, president and chief executive of the Ohio Grocers Association, which represents large and small store owners.

"People are not eating out as much. They're certainly not going out for the expensive meal as often and now I call it circling the wagons around the kitchen. They're doing things together. They're doing more cooking at home. I think it actually improves the family time and family life," said Jackson.

Shoppers are more savvy and are watching advertised discounts, said Trout and McMillen.

"They're planning their purchases a little more carefully. They're building their lists around the ads and specials," McMillen said.

Jackson said while sales totals might be affected because of cheaper brands, profit might not necessarily go down because margins are similar in all economic climates.

Giant Eagle officials at the company's Pittsburgh headquarters declined an interview request for this story. Officials e-mailed a statement saying that customers are saving during the tough economic conditions by using the company's "Fuelperks" program to earn savings on gasoline purchases through groceries and gift cards, as well as using double coupons, weekly specials and store brands. Company officials declined to answer further questions.

Trout of Acme said consumers often change their buying habits during tough economic times.

"If times are good, the mix changes. It's not tenderloin, it's ground beef," he said.

McMillen said Buehler's is also seeing an increase of non-Buehler's shoppers during the holidays looking for special items, such as gift baskets, meat-and-cheese trays and fresh baked goods.

Prepared foods, such as rotisserie chickens and soups to go, continue to see higher sales, Acme and Buehler's officials.

In October, Buehler's introduced a Click, Load & Go program, where customers can order groceries online and arrange for a pickup at the store. Even with the cost of \$7.95 per order or \$24.95 per month, the service is growing with new and repeat customers, said McMillen. It is currently only available at the Medina River Styx store.

The holidays put consumers in a spending mood, executives said. During the holidays, "people are still willing to spend on quality because if they're going to do it, this is the time of year. If you're going to buy a spiral-sliced ham, you're going to buy the best," said McMillen.

Stores adjust inventory depending on demand, said Jackson of the Ohio Grocers Association.

"People have to eat. They don't have to eat steak, but they certainly can eat ground beef," Jackson said. "You're probably going to see more macaroni and cheese, more chicken, more lower-end items rather than some of the fancy turkey-breast recipes or beef-roast recipes."

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