Indepedents Carry On
The American Dream

With local produce, love for their community, a loyal customer base and a lack of corporate bureaucracy, independent stores find their niche and prove they have serious staying power.

BY JODEAN ROBBINS

In the shadow of downbeat economic news, layoffs, cancelled expansions and general negativity, many independent stores have continued to plug away day after day doing what they do best to serve their customers.

“...I know independents are getting stronger,” says Richard Stiles, director of produce and floral for Redner’s Markets Inc., in West Lawn, PA, with 38 stores. “We’re able to ride this economic downturn a bit better than larger food chains because we can react quicker and easier to the circumstances out there. If we need to get our price points down and change our margin, we can do it starting tomorrow.”

Carissa Mace, president of the Fresh Produce and Floral Council (FPFC), located in La Mirada, CA, reports, “In the Los Angeles marketplace, independents have become an increasingly important segment of the business. With their buying power in produce, they can rival some of the national chains in dollar volume to vendors.”

John Vena, president of John Vena Inc., situated in the Philadelphia Regional Produce Market, in Philadelphia, PA, adds, “...We have seen a measurable increase in the number of independent stores buying from our market — a trend we have followed for most...

Lyndhurst, NJ-based H Mart Companies, has grown from just one store in 1982 to the 40 stores the company currently operates.
people who started with nothing, rolled up their sleeves, worked hard and created a successful business. “This holds true whether you’re talking about the Italian-American who started his business in the 1940s or the West African who only opened six months ago,” says Vena. “These operations contribute to the American dream because you can be an entrepreneur,” adds Spezzano. “Many owners running these companies are immigrants born in another country. They came here, they worked hard, they bought a small store and then grew it to two or three, or in some cases 50 or 100! Whether Mexican, Korean, Armenian or American, one thing they all have in common is they really work. Isn’t that the American dream? You work your way up, and 10 years later, you own it.”

“A lot of the independents out there started with nothing when they came to this country and they’ve been able to build the business,” states Joseph Battaglia, produce director for Ridgewood, NY-based Western Beef, a 28-store operation. “It’s amazing how you see people grow and prosper.”

Many independents have contributed to the American dream and their communities for decades. “Our stores have been in business since 1948,” says Jose Manzano, produce director for Dorothy Lane Market in Dayton, OH, an upscale grocer with three stores. “The same family built the business from just one store to three and still owns them to this day.”

Redner’s Stiles explains, “Thirty-five years ago, Mr. Redner left Grand Union and opened up two stores. He was able to grow with the community and his business became very successful. This parallels what is happening today as well.”

“Independents are a win for everybody,” explains Spezzano. “A win for the community, a win for the owners and a win for the produce industry.”

The American Dream

In many ways, independent stores are the epitome of the American dream — built by people who started with nothing, rolled up their sleeves, worked hard and created a successful business. “This holds true whether you’re talking about the Italian-American who started his business in the 1940s or the West African who only opened six months ago,” says Vena.

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**Difficulty In Definition**

The diversity making independent stores so successful and unique also contributes to the difficulty in defining them. The Arlington, VA-based Food Marketing Institute’s (FMI) Independent Operator Insights into Wholesaler Relations and Services report, published in 2008, states, “Independent stores are often lumped into one category simply because of the number of stores operated. While not necessarily inaccurate, it’s important to note independents make up the most varied group of
The independents we serve range from traditional supermarket formats in traditional suburban and urban areas to retailers carrying products geared to very specific ethnic customers from around the world who have settled in communities in our trading area,” Vena of John Vena explains. “Then, we have some independents referring to themselves as ‘international’ retailers, meaning they carry lines of products geared to the whole gamut of consumers. They don’t limit themselves to any ethnic area and are particularly good customers for our lines of specialty produce.”

In general, there is a sense of an independent having greater and more local control and ownership. “An independent store is a locally owned, private company serving the local community,” says Stiles. “We’re an independent even though we have 40 stores.”

According to the FMI study, ownership is a reflection of independent-status. Nearly all respondents in the study are family-owned (66 percent) or privately owned (27 percent) companies. While formats and target markets may vary greatly, the FMI report indicates close to 60 percent of respondents operate conventional supermarkets, 28 percent run limited assortment stores and 11 percent operate super/combination stores.

**Identifying The Niche**

Format and niche marketing may be an indicator of success for an independent. “There are some independent operators who are really customer-focused and have done well and others who are struggling,” says Dr. Richard George, professor of food marketing at St. Joseph’s University, in Philadelphia, PA, and author of the FMI report.

Paul Weitzel, managing partner at Willard Bishop Consulting Ltd., headquartered in Barrington, IL, suggests, “While we may be seeing a continual decline of smaller Mom & Pop stores, we are also seeing an increase in the number of ethnic run stores that really differentiate and provide a more defined shopper value equation, for example, unique produce and authentic brands.”

“We do see some growth in some non-ethnic perishable-oriented stores,” agrees Spezzano of Spezzano Consulting. “The upscale market is growing in Northern California, but this is very specific to geographic or demographic area. Conversely, upscale independents in Southern California are not seeing much growth. Where we do see growth is in the ‘other’ formats, such as Trader Joes or Fresh & Easy, as well as all the ethnic-oriented operations — stores that have defined their

H Mart carries a wide selection of tofu products to appeal to the varied Asian population it serves.
niche or market and are catering to it."

Finding a niche is a key element of success for an independent. “They’re looking at creating stores fitting particular needs,” says Dr. George. “We see all these new markets serving the ethnic communities. People recognize if you’re an independent and can develop a concept fitting the needs of the market, the store is more focused and successful.”

“The independents serve a niche,” states Frieda’s Caplan. “There are many now serving an ethnic niche and they’re growing.”

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University Food Center

or variety of a particular category, for example seafood,” says Odron of Ed Odron Produce Marketing. “They’re hanging in there against the big guys. Their challenge is the lack of room for growth or expansion. Many times a second outlet fails.”

“The national chains are focused on the big middle and they miss the edges or segments of the market,” adds Dr. George. “What independents want to provide is the differential advantage. ‘How am I different and why is it better?’ Focus on customers in order to learn how to provide a better, different experience for them.”

However, having a targeted market doesn’t mean stores are mono-focused. “Most of our stores have a large amount of Asian consumers, but some have up to 50 percent non-Asian consumers as well,” reports David Shin of Lyndhurst, NJ-based H Mart Companies Inc., an operation that has grown from just one store in 1982 to the 40 stores the company currently operates.

“Our demographic includes Spanish, African American, Polish and of course, Anglo,” says Battaglia of Western Beef. “We don’t consider ourselves gourmet, but we have premium produce and choice meats. We’re not exotic. This is why we appeal to a wide demographic. For example, in our Boca Raton, FL store we can sell everything from
broccoli rabe to plantains. It’s a wide mix.”

University Food Center in Detroit, MI, is a one-store operation serving a college area with a diverse population. Sam Marrogy, produce director, notes, “We are a neighborhood store. We serve our customers as individuals, person-to-person. We’re always on the floor taking care of the customers and giving them good service. The store is very clean and the produce is very fresh.”

“Independents are getting a lot of crossover customers, especially with the economy,” says Spezzano. “Most of these stores have full-time employees working to ensure the highest level of cleanliness and appeal. Also, they do high-volume in perishables so product looks fresher, and it’s priced competitively for the quality. As Anglo customers look for options, many are finding they like the independents.”

Two Sides Of The Coin

Flexibility, reaction time and lower costs allow independents advantages specific to their business. “They have abilities to do some things the big chains don’t and there is tremendous opportunity in that,” says Dr. George of St. Joseph’s University.

Consolidation and the flight of big chains from inner cities have left an opening for many rising independents. “The independents are moving into smaller strip malls that are being vacated by the larger chains,” reports Weitzel of Willard Bishop. “They often can get lower rent in space that has already been developed. It’s an easy and relatively low cost of entry.”

“When the chains leave the inner cities, often the independents will look for those sites,” says Spezzano of Spezzano Consulting. “Generally, when the main store goes dark in a strip mall, the others go dark, too, so the landlord gives a discounted rent to the independent store because it keeps the entire shopping plaza viable.”

Their ability to use non-union, or alternative union labor and lack of corporate bureaucracy also works in their favor. “Independents have several advantages when it comes to overhead,” says Spezzano. “In general, overhead is lower and produce labor percent of sales is significantly less than a national chain. They also take a smaller margin on perishables and make up for it in volume. They have more flexibility to move to different sizes in product and many times, they’ll move to where the value is.”

Frieda’s Caplan points out another advantage for independents. “These stores don’t seem to have the infrastructure costs, overhead or be as highly leveraged as the average national chain,” she explains. “They’re not publically traded companies. Since they’re...
beholden to their owners, rather than to Wall Street, they tend to be more long-range oriented in their performance goals. The independent has a lot more flexibility.

“We can change faster,” adds Battaglia. “We can make price changes faster and bring in new items faster.”

However, they face significant challenges as well, especially for those experiencing rapid growth. “As independents grow, they struggle to get more sophisticated in systems, management and organization,” explains Spezzano. “To get IT properly funded takes money, but you have to spend it in order to grow. For many, the biggest hurdle is how they go from 20 to 50 stores and support the growth, for example, having programs to attract and maintain senior- and middle-management. All the things independents aren’t good at, they need to get better at in order to grow their business at that level.”

“The challenge some independents face is how they can gain vendor support if there is no scale or the necessary people and systems to accept support,” says Weitzel. “This often means the independent has to go it alone, unless they are part of a co-op or association, such as IGA. Also, being able to see the latest new items and capitalize on growth from new items with a small merchandising staff can be very tough.”

“Financing is another big disadvantage for independents,” Spezzano adds. “National chains have access to funds especially for expansion. Privately held independents tend to get a shorter lease from banks. Normally, expansion comes out of cash flow or what

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loans they can get — so they expand slower than chains.”

**Direct Customer Link**

Perhaps the greatest banner an independent waves is the direct link to its customers. “If it’s an independent, then customers have a higher expectation of the store knowing them and their family needs,” explains St. Joseph’s University’s Dr. George. “They feel the store is probably trying to do more and a better job because it’s not part of a conglomerate.”

“Because they are so locally based, they know their customers much better than those who buy out of national offices,” says FPFC’s Mace. “They court their communities by sponsoring local organizations such as kid’s soccer teams.”

“There’s a connection and relationship the independents establish,” agrees Odron. “The customers’ mission when they park their cars at a large chain is to get in and out as fast as they can, whereas the independents tend to nurture more of a relationship during the shopping experience.”

Since demographics of independents vary so much, one of their assets is their ability to cater to those differences. Redner’s Stiles explains, “Over our 40 stores we have very different demographics, some have a larger...
Perimeter Focus

Most independents lead heavily with perishable departments, especially produce. “Our industry is a big win in the whole independent movement,” states Dick Spezzano, president of Spezzano Consulting Services Inc., based in Monrovia, CA. “Especially with Hispanic, Middle-Eastern and Russian independents, produce is extremely important. If you look at the makeup of the sales of those stores, they’re produce- and meat-driven. Produce in a conventional chain is about 12 percent of total store sales and meat is about the same, maybe less. In the Hispanic and Middle-Eastern formats, produce is 20 to 25 percent and meat is about the same, maybe less.”

“Produce plays a huge role in the independent,” agrees Karen Caplan, president of Frieda’s Inc., in Los Alamitos, CA. “They tend to have more flexibility in purchasing. Sometimes, they can make a better deal and get a better price because of it. If they’re purchasing regionally, it’s possible that they don’t need the kind of shelf-life the larger chains that ship longer distances require. If they get a good deal on tomatoes, they’re selling them next day.”

“Produce is one of our main items,” says David Shin of Lynhurst, NJ-based H Mart. “People come to our stores just for the fresh produce. We are able to bring a variety of produce items other big markets do not carry.”

“Produce is a great opportunity for independents,” adds Dr. Richard George, professor of food marketing at St. Joseph’s University, in Philadelphia, PA. “Most people think brands are what they put on the shelf, but I tell stores, ‘Think like a brand; act like a retailer.’ They need to figure out how to use produce as a destination spot. What more can they be doing?”

According to a Food Marketing Institute report, “Independents identified produce and meat as the most important categories to remain competitive over the next five years... dairy and deli close out the top four.”

Quality of perishables, as well as service in these areas, is crucial. “We focus on upscale products of high quality,” reports Jose Manzano, produce director of Dorothy Lane Market, a 3-unit chain in Dayton, OH. “We set the standards in our area for what we call the upscale grocery store. Quality of perishables, as well as service in these areas, is crucial.”

“Produce can definitely impact customer loyalty,” says Paul Weitzel, managing partner at Willard Bishop Consulting Ltd., in Barrington, IL. “Many times, independents have an opportunity to do a better job procuring and merchandising local produce than the larger supermarkets. The large chains just dabble in this area and it’s a big opportunity if done right. It’s harder for larger, national chains to manage local produce given their centralized buying offices and proximity to the local market. Independents can get closer to the customer and react much more quickly. This should be a big opportunity for independents.”
pers will be willing to pay a little extra if they feel the product is worth it and that it’s what they want.”

“Everybody recognizes the need for value, but value is not just low price,” explains Dr. George. “It’s taking care of the customers’ needs. It’s asking ‘how do we help you?’ There are opportunities, such as helping people resolve the What’s-for-Dinner issue, and independents can respond to these needs more quickly and with more precision. They can really shine in being responsive to people and demonstrating a caring atmosphere.”

“We listen to our customers and react to what they want,” says Redner’s Stiles. “We know the value and products they’re looking for and we can react and give it to them. For example, we don’t put tons of money into advertising on radio or TV. Instead, we take that money and put it into cost of goods so we can give the customer the best price on quality items because we know that’s what our customers value most.”

Part of the value equation is being able to offer a great deal on short notice. “The independents can act quicker and offer better deals than chains who have to do planning further in advance,” FPFC’s Mace says. “They can offer good quality at a good price — what folks are looking for in this economy.”

“Independents enjoy a lot of flexibility in matching their offering to the tastes of their clientele,” adds Vena of John Vena. “They are well positioned to take advantage of the opportunity a full-service market such as The Philadelphia Regional Produce Market has to offer regarding pricing and selection.”

“We provide a standard and competitive edge for the community,” says Western Beef’s Battaglia. “We try to compete and do better than the chains in quality and in value. We remember to take care of the customer and give them value. Many times, larger stores forget about this.”

“We're still seeing the same customers coming in,” says Marrogy of University Foods. “Some customers don’t want to make the trip to drive to a larger chain, so they’re coming back to the neighborhood store.”

“Going forward, independents should be looking to see what they can do to build the business and take advantage of their strengths,” advises Dr. George.

“You can’t be afraid of the large chains coming into your community,” warns Stiles. “You have to stay true to who you are and do what got you to where you are now. It’s all about service, quality and value. That’s what has made many independents successful and...
given them longevity. Don’t forget it when you face competition.”

**Relationships Wanted**

Independents want relationships, services and good products when deciding with whom to do business. FMI’s report identifies, “High service levels, a good private label program and low prices are the top attributes independents use to pick their primary wholesalers.”

**BENEFITS TO THE INDUSTRY**

Independents contribute to providing overall stability and benefits to the produce industry. “It gives the industry an outlet for sizes and products you can’t sell in a more conventional national chain supermarket,” explains Dick Spezzano, president of Spezzano Consulting Services Inc., based in Monrovia, CA. “It helps the profitability of the crop overall.”

“They provide a great outlet for smaller local growers,” adds Ed Odron of Odron Produce Marketing and Consulting, headquartered in Stockton, CA. “They also provide a lot of volume and sales to local wholesalers as well. They’re a big part of the economy for those local wholesalers, and a vibrant wholesale market is essential to the health of our industry in general.”

Suppliers are encouraged to understand the true size and scope of potential produce business with independents. “Vendors should realize the power these independents have to move volume and how quickly they can turn it around,” says Spezzano. “Many independents with only four or five stores have their own Distribution Center. If you have 20 good independent stores it can be the equivalent in produce cases going through a vendor’s system as selling to 80 Ralphs or Vons. Don’t misjudge them for being too small because the volume they’re doing is tremendous.”

“With an independent retailer you can make them a really aggressive offer because they can respond quicker,” says Karen Caplan, president of Frieda’s Inc., based in Los Alamitos, CA, points out. “A lot of people in the industry want to broaden their customer base, so what better way to balance your portfolio of clients than to have a mix of big and small. You’d be surprised how much produce an independent market can move, regardless of their size.”

“Independents are here to stay,” says Bill Vogel, president of Tavilla Sales Co. of Los Angeles. “They are driving significant traffic and marketers must stand up and pay attention. There is no more ‘my way or the highway.’”

“Our produce supplier is very much aware of our focus and quality orientation,” says Manzano. “It doesn’t take much for them to know what we’re all about. They’re always helpful with sourcing the proper products, but they also come up with special prices and deals we can pass on to our customers.”

The relationship is a key element for procurement. “Just be honest and take care of your customers in the same manner you want them to take care of you,” advises Battaglia of Western Beef. “Try to give them the best quality at the right price and be consistent. If you’re consistently good, your business will grow.”

“For a company like ours, the direct, personal relationships we develop with our independent customers afford us the access we need to promote our products with each of these buyers,” says Vena of John Vena. “Customer service depends on helping customers solve problems. Our independents usually need help with ad planning, special pricing and delivery.”

Understanding the needs of your particular independent customer can really help get the right sale to them. “Vendors must put someone in charge of these accounts that understand them and maybe it even means they must speak their language,” suggests Spezzano. “Also, don’t try to sell them sizes they don’t use. Work with them to ensure what you’re offering is what they can sell.”

“Produce companies could be more active in trying to sell more variety and keep product as fresh as possible,” says H Mart’s Shin. “And, we all need to better understand the needs of the consumers to improve our produce business.”

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Having patience and being pro-active in growing the relationship will reap numerous benefits. “We need to learn patience when dealing with independents,” advises Vogel of Tavilla Sales Co. “As a customer, they might be telling us something we don’t want to accept, but as a good vendor we need to learn and understand.”

“If I were a vendor I’d be looking at how to help these stores educate the people who are putting the product out and who have interaction with customers,” suggests St. Joseph’s University’s Dr. George. “Something like support for additional sampling and training in the department.”

**Vested In The Community**

The business life of the independent store is interwoven with its community as the store provides multiple benefits the community may not get anywhere else. “Many urban neighborhoods have lost the services of any kind of grocery or produce vendors,” says Vena. “Independents, particularly those owned by recent immigrants, have stepped in to fill that gap. These entrepreneurs add to the economy of their neighborhoods by providing jobs for the local people and helping to attract other business and services.

“The best example of this in Philadelphia is long-time Philly Market customer, Cousins Supermarkets. After emigrating from the Middle East, the Cousins family opened four stores in primarily Hispanic neighborhoods not served by any retailers and have now been fixtures of the local economy for over 25 years.”

The business independents bring can help revitalize a potentially downtrodden business area and help others achieve their American dream as well. Spezzano of Spezzano Consulting explains, “Instead of having a dark,
broken and blighted shopping strip, the independent revives the other stores around it. A good independent revives the other eight or 10 stores with a market as well. It helps the whole economy in the area.”

“They often help anchor smaller and older strip malls,” adds Willard Bishop’s Weitzel. “This allows other smaller stores in the mall to capitalize on the foot traffic. It also gives certain demographic groups a feeling of being closer to home and a sense of community.”

Another way independents benefit the community is by employing the people who live there. “Because they’re in the middle of the community and have flexibility, they hire people who live in the neighborhood,” says Spezzano. “Instead of having 60 to 70 employees like an average, national chain, they have 150 from the nearby community. It provides a lot of coveted jobs for the area.”

For the independent, community involvement is a given — not an extra. “It’s about being part of the community and not just being a business in the community,” explains Redner’s Stiles. “You’re doing things for the community, such as charity events and donating to the local food bank and school. It’s two-way street between the community and the store.”

Marrogy of University Foods reports, “We donate food or beverages for the baseball team and interact with local churches and schools. Our owner is very active in trying to help better the community.”

Independents vary on the manner in which they are involved in the community. Dr. George explains, “One grocer ropes off a part of their parking lot and allows a school band to practice there. Another does blood pressure tests, while another will have local groomers come in and give tips on pets. Many times we, at retail, think only about what we sell people, but instead we should be asking what the community needs that you have the ability to provide. There’s no limit as to what one can do to be community focused. The key is to look at the community and find how you can partner with them.”

“Although a lot of chains do this too, most of the independents are more in-tune to community sports like sponsoring little league or soccer,” says Odron of Odron Produce Marketing and Consulting. “They partake in more community activities.”

“People are very supportive of our stores because they’re locally owned and started in their back yard,” says Manzano of Dorothy Lane. “Shoppers like to know the owners worked hard and built it up to what it is today.”

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