

RVA's grocery wars highlights: Richmond is ground zero for grocery stores

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The Times-Dispatch held its 64th Public Square on May 19 at its downtown building. The topic: RVA's grocery wars. A big crowd turned out for a conversation led by Gregory J. Gilligan, the RTD business editor who has covered the local food industry for more than two decades, and by Jeff Metzger, the publisher of Food World, a trade publication that focuses on the grocery business in the Mid-Atlantic region. The publisher of The Times-Dispatch, Tom Silvestri, served as the moderator. Below, we present the highlights.

Silvestri: ... Grocery wars. Why Richmond? What's going on here? And more importantly, why are we ground zero for grocery stores? I get the restaurants. But the grocery stores?

Gilligan: Let me step back and give you some perspective, first. For those of you who have watched the Golden Girls TV show, picture it: 1993. That's when I started writing about the grocery and retail industries here at The Times-Dispatch. You know, I've been here since '87. Had shopped at Ukrop's, had shopped at Safeway and the other stores. But really, never really fully understood what I call "the Ukrop's phenomenon." So I'll give you a sense of what that was like.

So that first few months when I started writing about the grocery industry, there was word that Ukrop's was going to open up a new store, take over the — I think it was an A&P store, or Farm Fresh store, at the corner of Three Chopt and Patterson. And I just said, "OK, it's a short little story." And oh my gosh, let me tell you the outpouring of people who wanted to know when that store was going to open, how big it was going to be, what it was going to offer. You know, they were just excited, because Ukrop's was the only store.

You know, Ukrop's, for 23 years — from, like, 1986 until 2009, they were the No. 1 grocer in the Richmond market. They were just tops above everybody. I mean, people loved their customer service. They loved the offerings that they had. They were innovative. They had the fresh prepared foods. They had the meals that you could take home. And they even had something, if you didn't have cash on you or you didn't have a check — because for a long time, they didn't take credit cards — they would even provide you with the credit to be able to buy your groceries.

Great example: in 1996, when the executive vice president of Target moved his whole family down here from Michigan, they had to fill up their cupboards. So she went to Ukrop's and

bought something like six or seven or \$800 worth of groceries. She was used to using a credit card. So she went to go pay for it with a credit card. They're like, "Ma'am, I'm sorry, we just don't take credit cards. But here, just fill out this little promissory note. And when you have time, you come back to us and pay whenever you have a chance." So she walked out of the store with whatever, six or seven hundred dollars' worth of groceries.

She goes next door to go to a video store, because it was the weekend and they wanted to watch some videos. That's when the Blockbusters of the world were still around. She goes in there to get two videos for the weekend, VHS tapes. And they're like, "Ma'am, we're sorry. But you have a Michigan driver's license, and you have to have a Virginia driver's license to be able to rent videos from us." So she could not rent a video, which cost maybe \$50 at most. But she could walk out of Ukrop's with six or seven hundreds dollars' worth of groceries on a promissory note. That kind of gives you a sense of the whole Ukrop's phenomenon.

Then the Safeways left. In the mid-'90s, you had Hannaford coming into the marketplace. And they really were sort of a game-changer. They came from New England and leapfrogged down here. You had Walmart all of a sudden offering groceries. Hannaford then had to sell its local stores to Kroger. Kroger entered the marketplace in 2000. Still, all the while, Ukrop's was still No. 1

In 2008, we had the Whole Foods of the world. We had the Fresh Market entering the Richmond region. Even Trader Joe's coming into this marketplace. And then finally, the big thing that happened in late-2009, early 2010, is when Ukrop's, after decades here in this marketplace, sold their stores, their local stores, to Martin's, the division of Ahold USA. And that was a big, huge change in this region. Now, we're seeing even more change. You've got the possibility of the Martin's stores being sold here. Wegmans is opening on Sunday, one store. We have a second store opening in August here in this marketplace. And those are huge stores, and that's really going to be a game-changer. And then you have — Aldi has opened up stores, and Lidle — and that's the right pronunciation. Not Lie-del, but Lidl like needle — is actually now looking at opening up stores here in the marketplace. They have six or seven, that we know of, locations here in the Richmond area. And then you've got Publix, the chain out of Florida. They have one site here, and who knows if they're going to have more.

And that segues to you, Jeff. Let's get the white elephant out of the room now. What's happening with the Martin's stores? You broke the story back in March that said that for the merger between Ahold and Delhaize — the parent companies of the Martin's and Food Lion — in order for that to go forward, the FTC apparently is saying, "You know, you've got to get rid of some of your stores." And Richmond has a large concentration of both of those. And so Jeff reported back at the end of March that at least 19 stores in the Richmond area — among

83 up and down the East Coast — either Food Lion (the Delhaize stores) or Ahold stores such as Giant or Martin's, are going to have to be sold. So tell us, what is the latest? What's happening with the Martin's stores here in the Richmond region?

Jeff Metzger, publisher of Food World: Well, first of all, I want to thank you and Tom for inviting me. And I'd like to quote Mel Brooks: I think it's good to be king. (LAUGHTER) Well, the process is ongoing. All bids are in. These are stores that the Federal Trade Commission mandated to Ahold (Martin's) and Delhaize (Food Lion), who are merging or plan to merge within the next three weeks, that they must divest. They were deemed overlapping, conflicting. So a list was established and approved by the FTC. The stores have to be sold. They can't be closed. For the most part, of those 83 or 84 stores that are on that conflict list, the majority of the stores were Food Lion.

Richmond was an exception. I believe the Ahold people saw the losses mounting at Martin's, even though Food Lion is not doing particularly well, it's a more controllable entity. The Martin's situation, by proposing to sell those, they also felt they could find a more viable buyer. And we're hearing it's Publix to lose. They probably will not release that total sale list for another few weeks. So there's, in my opinion, a very good chance those stores, whether it's 13, 19, 22 stores — there's another three stores in the mix. There's a few other stores like Williamsburg that are not on a conflict list that could go, also.

So you could see upwards of 20 stores being sold. And we think the likely buyer is Publix. And if Publix does get them, even though they've got one store pledged here to be built from the ground up, off of Nuckols Road in 2018, we think they'll keep those stores dark for a while, while they refurbish them, retrain the staff, rehire people, do it their way. I think it's pretty clear that the taint that Martin's has left is pretty significant. And whoever the buyer is, I think wants to change that image fairly quickly and radically. But do it the right way. So we think something will be announced in the next two to three weeks.

Gilligan: So if Publix comes into this marketplace, this would be the first time that — they've always grown organically. This is the first time they would actually buy a chain.

Metzger: Well, second time. In the early 2000s, they wanted to get in the Tennessee market. And they acquired eight Albertsons stores in the Nashville area. That established their footprint. But you're right. For the most part, they grow organically. Atlanta's a good example. They started with one store in Marietta in the early '90s, and now they're neck-in-neck number one, store by store, group by group. But you couldn't do that today in Richmond. The competition here is way too fierce. To build it in onesies and twosies, starting two years from

now? They'd be way behind the eight ball. Which is another reason why I think — and a lot of other people believe — it will be Publix who gains those Martin's stores. Or many of them.

Gilligan: Why does Publix want to be here? Why does Lidl want to be here? Why is Aldi here? Why is Wegmans here? Why are we ground zero for all these grocery chains? Is it the demographics? Is it the competition is weak here? Why is it there's so much attention in the Richmond region?

Metzger: Well, if you're a marketer, you could look on paper. We consider Richmond to be part of the Northeast, and that's the way marketers look at it. So when you look at the whole Northeast quadrant, it's a very foodie quadrant. It may represent 25 percent of the nation's base. But when you look at the spending levels, it's above 25 percent, beyond the population. So you've got tremendous interest in the makeup of the population of the Northeast.

Richmond is one of the few growth areas, from pure demographics, on the educational side. Tremendous growth on education levels. A lot of college degrees, a lot of post-graduate degrees. So when you look at the pieces on paper, the transitioning of the old Richmond to where we are today, everything looks positive. And that works real well, 'til everybody dives on the pile. And that's really what's happened over the last five years. So on paper makes a lot of sense. ... Here, the makeup could sustain high volume. There's just too many in each individual silo. So something's got to give.

Gilligan: This might be a good opportunity to look at your Market Basket report, which he produces every year. It comes out next month. Last year we had Martin's still holding onto the No. 1 spot, but just barely. I mean, only a couple basis points from Walmart, and only a couple basis points from that, from Food Lion. Give us a sense of where you think things are going to be this year, if you can. ...

Metzger: We don't have all the data crunched yet. But Martin's will not be No. 1. And our period, our 12-month measuring period, ends March 31st. So, we will have Martin's in there. ... Walmart will have grown, because we'll have data from Neighborhood Markets in there, which is part of their deal. Even though the core Walmart business is flat, Food Lion, flat. And that's sort of kind of a subset of after Ahold and Delhaize come together. What are they going to do with the Food Lion banner? It really doesn't fit their model of conventional grocery stores. That's another issue. So getting back to the future term: Will there be a Food Lion here in five years? That's to be determined, probably in the next couple of years.

Gilligan: Because the Food Lion stores are about the same size as the Walmart market stores. The Neighborhood Market stores. So do you see Walmart picking up some of those stores at some point?

Metzger: It's possible. Martin's has been struggling for several reasons. They really never understood what the customers wanted here. And the customer service, and the employee relations, just weren't very good. It was just not a good fit. Food Lion is a different animal, totally. You know, as a shopper, you've got to ask yourself: Why do I enjoy shopping here? Or multiple stores. Is it convenience? Is it price? Is it quality? Is it perishables? You know, other than convenience, Food Lion doesn't really offer any of those elements.

So if you looked at (Walmart's) Neighborhood Markets, or all the smaller boxes, they're making it very clear. It's about price. Might be about convenience, to some degree. But it's about price. And Food Lion is sort of in that muddle middle. And the cliché is, if you're stuck in the middle, you're gonna be road kill. So. I think ultimately, Food Lion does not have a long-term future here based on this competition coming in. And as Greg said, we haven't seen Lidl yet. Those are all ground-up stores. There's going to be at least six. There could be as many as ten. ... So you've got a whole new price portal coming. And you've had a little of that. In the old days, Food Lion was more price-competitive. ... But this whole price surge is going to emerge. Aldi, Neighborhood Markets, relatively new. Lidl, brand new. Upcoming. So that silo is going to get filled. And certainly Wegmans is going to fill that middle, upper-middle and upwards. Which Kroger has done a fantastic job of filling right now. And that's maybe the underlying reason why some of these guys are suffering.

Kroger took a national model. They are the largest pure-player supermarket chain in the country. And they managed to do something that others have found very, very difficult. They decentralized their model, to some degree. So a lot of the backroom stuff is corporate. You don't see it. A lot of the decisions are made here, in terms of local products, local merchandising, pricing, and so on. And that's really helped them get their mojo here, while other guys have failed. But Kroger has pounced on that opportunity. ...

Every one of those portals is becoming much more aggressive in terms of retail food. So everybody wants to be in the supermarket business, in a sense. You know, whether it's CVS, Target, Wawa. I mean, those are three channels, separate. Convenience stores, drug, mass. Obviously here in Richmond, you've got BJ's, Sam's and Costco, which is the leader in the club channel. So this is just an absolute overkill of retail. And there is going to be some change. You're seeing it right now. There's going to be more.

Gilligan: So, give us a sense of the Aldi stores. How do you feel that they're doing? They've been opening stores for the past year. ...

Metzger: ... When you look at all these channels, all these silos, there's sort of a best-in-class. As Greg noted, for years and years, Ukrop's had that title within the supermarket channel.

Well, to me, Costco owns that channel and the club channel. And Aldi is clearly the league leader, in terms of the extreme value price channel. Aldi is really disciplined. I mean, Walmart doesn't want to touch their prices. Now again, it's private label. They've done a great job of sourcing through their manufacturers. So the quality is first-rate. They're limited. There's not a lot of perishables. You know what you're getting there. So you will see expensive cars in the parking lot. And you'll see people who really need to save a dollar. They're national now. They're a West German privately-held company. By the way, same ownership as Trader Joe's, so they have both ends of the spectrum. ... They just moved into California. They are all over western Europe. And now, within 2020, they'll be a national organization with several thousand stores in the U.S. And they're very good at what they do. It'll be curious to see Lidl, which is their number one price competitor in Europe — and plans to have stores about twice as large as the Aldi U.S. model — and have perishables. Aldi has a very limited perishables presence. ...

Gilligan: So, Jeff, give us a sense of Wegmans. They've been around for decades. They've kind of migrated south. People have been talking about the Wegmans phenomenon for years. Is this going to be a game-changer?

Metzger: Well, within a five-mile perimeter, they will be a game-changer. I mean, everywhere they've gone, they have certainly collapsed that local market. That's not to say they won't get the heat from the competition. They will. What's unique about Wegmans is, it's not a style that's easily replicated. The stores are 115,000 or 140,000 square feet. There's a ton of labor in the stores. Their perishables, or what we call in our publication "the gallery of gross profit," is untouched. There's a lot of labor. There's a lot of skill. So even if you're saying, "I have prepared foods, I've got a scratch bakery, I have a kosher deli" — you don't have it within the scale and the magnitude and frankly the theater in which Wegmans presents it. ... They have a freestanding pub-restaurant, in which you can have a craft beer, and you can have a nice glass of wine. And then they have their beer and wine department. And their wine department, they do a fabulous job. ... They're really, really good merchants. And as I said, their pricing, especially what we call center store, is very, very aggressive. So they've figured out the formula. And I remember asking Danny Wegman a long time ago. "This isn't really able to be duplicated. But, how long did it take you to figure out how to make money at this? Because there's a lot of labor, and there's a lot of shrink." Because you throw away stuff at the end of the day. And he said, "It took us 15 years." ... They're very, very appealing to the consumers who shop there. And that creates a loyalty that I think in this market would be matched by Ukrop's in its heyday.

Gilligan: Do you see Wegmans opening more stores here in this market, or do you think this is a two-store market for them?

Metzger: At this point, I think it's a two-store market. They've got the best demographic areas. They've got the ends of the spectrum. Could it happen down the road? They're growing quickly. You know, they're going to Charlottesville this year, too. They've just announced that they're going into Cary, N. C., in the Raleigh area. ... You know, they are really step-on-the-gas guys. And kind of fearless. And the results have been spectacular, for a very, very long time.

Gilligan: Richmond has become a foodie town. There are restaurants opening up all the time here. Lots of good restaurants. We're not talking all these chains restaurants. We're talking a lot of good, well-known restaurants, getting a lot of accolades. ... So when you go out at night, like I did on Saturday night, there's a line to get into these restaurants. There's all these restaurants, and there's a wait to get into these restaurants. And there's all these grocery stores opening up. Who's cooking anymore?

Metzger: Nobody under the age of 30. Well, you know, to me it's kind of an extension. Number one, where is the trend among the grocery stores going? It's in prepared foods. Take-home foods, salad bars. And the undercurrent of that is health and wellness. So I'm almost 65, and we've run a fairly successful business for a while. And I look around at my peers who I know in the audience, and they're about my age. Except for those guys over there, who are related to people my age. But — you know, we're like the forgotten — we're like, the aging boomers. So we may have a few dollars in the bank, but the marketers don't care about us. They care about the 17-to-39 classification. And the truth is, even though they might not have the disposable income that the aging boomers have, they're setting the trend. And one of the baseline trends is health and wellness. And sort of in the other corner to that is convenience.

So something like 74 percent of all eating decisions for that particular day are not made until 4 p.m. So it tells you where people are going. They're time-starved. They want the convenience. Yet, they want to eat healthy. Nutrition is important to them. More important. So to me, the restaurant piece, the food service piece ... are all kind of related. So when you go to a Wegmans or a Kroger, and you're getting something to take home, you want it now. You want it fresh. And you probably want it healthy. You're probably not eating the meatloaf and the fried chicken. And that's kind of the same offerings those restaurants are also preparing. ... So, you're seeing sort of the concentration under the same heading. Convenient, healthy, nutritious. People read labels. They want to know what's going on. You can see what's happening with the whole organic thing. It's exploding. You know, gluten-free. Some of this is individual-health-directed. But some of it is, "Hey, we want to eat better. This stuff's better for us than that stuff."

Silvestri: OK. Thank you very much for the opening round. ... So, you've had the opening. You've whet your appetite. Now we go into the audience. Anybody have any questions or comments?

David Cottrell, Richmond: We've been in the grocery business in Richmond for about 50 years. And looking at those most recent numbers, what you all have said, to me the shock there was .. that Wawa and 7-Eleven represent almost 10 percent of the grocery market, yet y'all are saying that everybody wants healthy food. Obviously Ukrop's Homestyle sells a lot of healthy food. Does Wawa and 7-Eleven sell healthy food? And how did they get 9 percent of the Richmond market?

Metzger: ... You know, not everybody wants to eat healthy. ... So there's always a need for pure convenience, and there's always people who say, you know, "I want a pack of Lucky Strikes and a Coke." And not to demean them. But that's still a portal. Is that the trend, in terms of how marketers look at entering a market? That is not the trend. And even the progressive C-store operators, like Wawa and Sheetz, think much more health and nutrition than they ever have, and have more programs. You go to a Sheetz or a Wawa, they have fresh food available. Their packaging, their deli stuff, they highlight the nutritional values on their sandwiches. So it's still a consideration, but to the point, I don't think everybody buys into that.

Deborah Fellman, Richmond: I was super-excited to read in The Times-Dispatch that the Walmart on Sheila Lane is now going to offer groceries on demand, where you can order them online and then drive in and pick them up. That's fabulous, because I'm tired of shopping at three in the morning for my groceries. Do you see that as a game-changer in the market? And do you think Wegmans will pick up on that?

Gilligan: Kroger started that here in this market back in March with one store, and they're expanding it to a lot more stores in this region. Walmart followed up last month. They have a half-dozen stores here as well that they're doing that. It's a huge change: a lot of mothers don't want to have to lug their children and go grocery shopping. And they can go online, they can pick up what they want, say, "I'm going to be there at 4 in the afternoon." They'll bring it out to the car, swipe my credit card, and off you go. It's huge, even for single people. It's all about convenience. And the grocery stores are trying to figure that out. They know that they need to be more convenient. ... Wegmans is testing that in two stores. And they are going to wait to see the tests of that, how that works out for them. Publix also has it in some of their stores.

Metzger: Grocers typically work on 1 percent to 1.5 percent profit margin. Traditional supermarkets see their shares becoming encroached upon by other channels, including digital and e-commerce. They have to get in the game. The big 800-pound gorilla here, like Walmart used to be, is Amazon. Amazon not only has a huge core business that deals with shelf-stable food, they're now getting into the fresh business. And personally, I don't think you're going to see this whole portal be more than 10 percent. But that's 10 percent that the traditional retailers would like to keep a piece of. ...

Brian Glass, Henrico County: Greg, for you, an observation. You mentioned something about Walmart and Food Lion. Neighborhood Markets are targeting Food Lion sites. So they're building them right next to them. So I doubt they're going to want to buy them. They can build a better mousetrap with a drive-through around the side.

Metzger: It'll be easier to buy the mass, though. They're not going to be able to get 40 stores in three years if the Food Lions do come up for sale. But you're absolutely right, that's who their target is.

Glass: So Jeffrey, here's my question for you. The niche players — the Tom Leonards, and the Fresh Markets. What happens to them? I know Fresh Markets was recently sold to a private company. But, you know. These guys — and I know Tom Leonard — they could probably hang in there if he wants to. But what happens to these guys?

Metzger: Well, people like Tom Leonard. There's always room for them. If there's enough —

Tom Leonard (sitting in the audience): That's nice to hear. (LAUGHTER)

Metzger: Uh-oh! Ladies and gentleman, Tom Leonard. (APPLAUSE) And Tom, I didn't even see you back there.

Silvestri: Another Public Square moment.

Metzger: You know what? And Tom would know from his family. If you're a good independent, you can carve out a niche that's totally yours, and protect that niche. And people are going to be loyal to the name, to the family, to the company, to the associates who they're bonded with. Can all independents sustain that? No. They're at a competitive disadvantage. You know, I could ask Tom, what's the next generation going to be like? How much money can you afford to invest in technology? How do you capitalize down the road in taking advantage of expansions or changes of that nature? Always a challenge. At the end of the day, is it doable? It's proven that it's doable. ...

Gilligan: Can we just ask Tom Leonard — because he's right there? Can you stand up, Tom? Can you give us a sense — I mean, you're right in the thick of it, out in the West End, with Wegmans but a mile and a half down the road. How's that going to affect your business? Is it affecting your business? How's your business been?

Tom Leonard, Glen Allen: ... I think what both of you guys are talking about is right on. I think that — you know, the Wegman's family are actually good friends of our family. And I have a lot of respect for what they do. And they're a family business. Having them down the street from us, you know, I've always grown up in a family where the big don't eat the small, the fast eat the slow. We have to concentrate on keeping customers. That's really the business we're in. We're not in the business of — we're in the business of listening to you. And, what can we do to do a better job? I mean, everybody's going to feel it. We've been through the Whole Foods opening across the street from us in West Broad Village, and, you know, there's a lot of people out there now. And we've grown.

I think the grocery business is different than the perishable business. I think the grocery business takes people, it takes training, and it is low-turnover of team members. And I think Wegmans does a good job with that.

They do a good job getting and keeping people there, and training their people. And I think that that — like Jeff was talking about — is a big issue. But I think everybody's going to see it. And feel it, for sure. ...

Lou Gorr, Richmond: Can you explain or address the brief existence and sudden demise of Southern Season?

Gilligan: Southern Season was actually a company out of the Raleigh-Durham area of North Carolina. And I think there are a couple things. It's interesting, I just had a conversation with somebody about this the other day. Southern Season came into this market, and I think that they figured, "We will build it, they will come." And they built it, but people just didn't come. I think they were confused in the marketplace. They didn't know what they really wanted to be here. Down there, they kind of grew organically in one location. They kept adding square footage to that particular store. And people knew them down there. People really didn't know them up here, didn't know what they stood for, didn't know what they meant. They didn't do a lot of advertising in terms of trying to explain that to the consumer, to let them really know. So if you walked through that store, I remember being in that store that first day. It was packed. OK? Richmond's sort of kind of like that sometimes. People always go when stores open up, and then they forget about them, and they're back there when they close them down again. But they were packed that day. But it wouldn't be a place you would go for

your weekly grocery shopping. And I think that's what people thought that's what they were going to be. And that's not what they were about. They were a gourmet shop, so to speak, for that really — for that cook, that chef, that person who really wanted to do a lot of cooking.

They did have a little cheese shop. They had a little bakery. The bakery was so-so. They sold a lot of products for the kitchen. But they didn't sell the food. They had a huge candy display, for instance. So I think that it was a big store. They didn't know what they really wanted to be. They were spending a lot of money there. They had a restaurant that was kind of up and down. I mean, I ate there a couple of times, and it was — I just thought it was mediocre. I thought there were a lot better restaurants in town. So ... But I think that that development, where they were, I think that will be a prime spot for another grocer to come in. Because that whole area, I think, is seeing a redevelopment. ... I wouldn't be surprised to see, maybe, a Publix there.

Pam Feibish, Richmond: I live in the city, and I love grocery shopping. Different grocery stores for different things. My question is about the organic market, and how quickly that's growing. How important do you see that, Jeff, being in the overall market share here, and how important is it, to especially the new players in the field? I know Kroger's made great inroads with organics.

Metzger: Absolutely vital. And even Walmart, which just about a month ago dropped the Wild Oats name, because it didn't really have any kind of stick-to-it-iveness anymore. They're going to develop their own. And this is sort of on the lower-middle demographic. For the new players, absolutely vital. If you don't have an organic presence — and again, it all ties into health and wellness — you cannot be a forward-moving player.

Vic Hines, Glen Allen: I recently retired. I do 98 percent of the grocery shopping for my wife and I. I find this whole thing fascinating, particularly as regards to Martin's. This is like a textbook case of how to screw something up, to me. I mean, you buy a franchise that absolutely is just loved by the Richmond market, and this Royal Ahold is — you know, obviously, a huge international firm. And they come in here, and — the closest store to my home is a Martin's, and I drive by it all the time. To go down to the Kroger. I'll drive a little further and go to the Walmart, and I'll go to the Costco. And I like the new Aldi. ... I had the unfortunate occurrence to go in there the other day, to the Martin's. And as I'm standing in this huge long line I'm thinking, "What a great ad for Kroger. To be standing in this long line. Nowhere near enough checkers, no express line." Can you talk a little bit about how this whole thing went to hell like it did?

Silvestri: Let me ask you a little bit. Is it Martin's, or is it Richmond?

Metzger: In this case, it's Martin's. Because Ahold is the largest grocery chain in the Northeast. So they've been in a lot of markets. This was really a fire, aim, ready. They had no clue. They thought they could come in and take the visceral part of Ukrop's, and modify it. "OK, we're going to sell beer and wine. OK, we're going to open on Sundays."

But the Ukrop's connection with the community was much tighter and deeper. And the folks at Ahold never understood it. They never got in the game. And, you know, it's one of our criticisms in our publications of the company. Dutch-owned. Very process-driven. Kind of risk-averse. And as much as they claim they're decentralized, with all these different banners, they're very, very centralized. It's not a plug-and-play deal. Grocery retailing's tough. ... They don't have a lot of skilled labor. You know, one of the things about a Wegmans, you'll see right away. They've got a fleet of people coming down from Rochester to babysit this, and train the people who are hired anew. And they will get it right. And those people won't leave until the local staff understands exactly how it should be done the Wegmans way, through experience. That was never the case with Martin's. It was, "Here's what we've got. We're modifying a few things." You know, "Turn the key, and we've got it." They missed it from day one.

Silvestri: Anybody from Martin's here to rebuttal?

Metzger: No. No.

Silvestri: OK. That's enough with the roast. On to the next question.

Ron Shibley, Mechanicsville: ... If it's indeed true that Publix is coming to Richmond, how do you see Publix and certainly Wegmans dealing with the issue of customer service that Martin's so conspicuously — they didn't just fail. They just fell totally flat on the face. ...

Gilligan: I think that there are a lot of good people, former Ukrop people, working at Martin's. I do think there are. But I think they are hamstrung, in not being able to do what they used to do, the Ukropian way, if you want to call it that. ... When I would go to the stores, when I heard people going to the stores — you know, "Can you tell me where this is?" "Follow me, sir. Let me show you." That was Ukrop's — that was a top thing at Ukrop's, that you had to do that. You could not just say, "Oh, it's over there on aisle six." You took the customer to there.

Metzger: Well, first of all, you're not going to get (poor service) with Publix or Wegmans. Because (among) retail store operators who have more than 50 stores, Publix and Wegman's are in the top five, maybe in the top three. So the service piece is a given. At Publix, you're going to get somebody to take your groceries to your car. It is old-fashioned service. The

question with Publix is, as the new guy on the block with a limited reputation even if they buy these Martin's stores, are they going to have the goods to be able to execute? That's why I think they're going to keep the stores closed, retrain, refurbish, remodel, get them the Publix way, and at least be able to compete more effectively. But service, I guarantee it'll be top notch. And nothing like what you're seeing at Martin's.

Melissa Davis, Richmond: Brief question. Do you think we will see the second Whole Foods that we've been promised in the city? And/or, do you think we'll see a 365, given their roll out on the West Coast?

Metsger: Well, I think the Whole Foods is planned for where C.F. Sauer is. And I think that's going forward.

Gilligan: Yes. It's supposed to go forward. They don't have a time frame — they have to tear down the Pleasants Hardware store, the old Pleasants. It closed a couple months ago. They needed to tear that down and redevelop that whole thing. They haven't filed any plans yet, but they're supposed to. That's the game plan.

Jane Helfrich, Richmond: ... Kroger is my pantry. Because I'm across the parking lot. But I'm curious about Trader Joe's and its model. I love Trader Joe's, but I've heard we'd only have one in our market. Is that how they operate?

Metzger: Why do you love Trader Joe's so much? I'm saying this objectively. But, why do you like Trader Joe's so much?

Helfrich: You know, it's funny. Because I go to the one next to the farm I grew up on in Williamsburg. It's right there. Price. I like a lot of the products. I don't go often, because it's way out in Short Pump here. So.

Metzger: So I guess what some people might suspect. Trader Joe's produces the highest per-square-foot volume of any grocery operator in America. I mean, the stores are 20,000 square feet. They do phenomenal volumes. They have that sort of secret sauce of private label tiers above even national brands. They've really got it going for them. They're great marketers. They're very select in what they do. You know, they want to go into the upper-middle demographic. At least middle-middle, no lower. And there's a lot of markets they're filling in onesies and twosies. So there could be another one. There's no plans right now. You know, they're looking to expand their base in Manhattan now. You would think, "Manhattan Trader Joe's?" There's a store on Union Square, on 14th Street, where they have security people letting you in and out. It's almost like a turnstile, it is so busy. To me, I don't understand the

magic. I like Trader Joe's. My kids love Trader Joe's. I get it. It's not a complete shopping experience for me. But I would be, like, booed off the stage. Because they may be the most beloved of all.

Helfrich: I know. I love them.

Gilligan: And Jane, we've asked that question to Trader Joe's many times, about a second or third location here in the Richmond region. And they have said they don't have any plans, at least through the next two years, if I recall correctly. ...

Christy Cottrell Richmond: My daily shop is Libbie Market. And I really have been a supporter of them since they opened. And it actually was with Joe's Market, prior to them. It's been amazing to me to see the loyalty there, and the same shoppers that keep coming back, and the way they've built their business. So I guess I want to know, do you think there's still room for other, independent neighborhood-type markets like that?

Metzger: There's always room. But if you want to look at the literal translation of that, it's never been a business for the meek. It's really challenging. The competition is hellacious. ... Where's the next generation going? Are your kids interested? Do they want to do this? Do they want to work Sundays? It's a challenge. There's always room for great retailing and great entrepreneurship, in any business. This is a tough business. This is a seven-day-a-week, 14-hour-a-day business, where you've got ferocious giants with a lot of capital breathing down your neck. So the question to Tom earlier was, how is a Wegmans going to affect you? Well, how's everybody going to affect you, if you're the guy as the stand-alone? And you could ask the two owners of Libbie's Markets, what are their plans in 10 years? Do they have plans? I love your store. Where am I going to go in 10 years? And I don't know the answer. There's always room. The odds say that portal is going to diminish.

Mary Sheehy, Richmond: No one's talked about the food desert situation yet. And I'm very concerned. We have in Carytown four high-end grocery stores available within a block's worth of walking. And yet what can we do to bring quality food and nutrition to the places that don't have it?

Gilligan: ... This week we had a story in the paper about that, about Jim Scanlon, who used to work at Martin's. And it was his dream when he left Martin's nearly two years ago because he recognized that (problem). He knew that we needed to do something in this community and other communities to help out with those food deserts. And it took him longer to try to do that here in the Richmond area, he has said because of problems with government relations

and other entities that he wasn't able to do that here. He was able to get assistance and help down in Newport News. And so his first store, Jim's Local Market Store, opened up last week down in Newport News. He's now hoping to open up a store up on North Church Hill, 25th and Nine Mile Road, with the assistance of Steve Markel, the vice chairman of Markel Corp. — he's doing this personally. He's not doing it for the company. It's his own thing. And it's that kind of partnership and relationship that you have to be able to do to be able to have those kinds of stores.

Jim Scanlon has said something to the effect that he just hopes the can — I don't think he worries about making money. He just worries about not losing too much money. Johnny Johnson, from Community Pride, tried to do the same thing back in the '90s and the early 2000s. And unfortunately, he had financial problems. It's a tough thing to do, to try to do those kinds of things. We talk about all these grocery stores that have opened up in this region. But none of them ever look in the East End and the North Side, and there are plenty of people there that have to either travel someplace to go — the closest grocery store in the Church Hill area is that Farm Fresh store down in Shockoe Bottom. Or they have to go out in the East End someplace in Henrico County, or maybe in the northern part of Henrico County. But there's nothing in their area except for that Farm Fresh store. So, it's a big deal.

Metzger: It takes a lot of spirit and soul and guts to go into food deserts. We work with an organization called Uplift Solutions, that basically is a nonprofit that tries to find operators and provide local monies to support building stores in food deserts. It's a very challenging, daunting task. I would advise you to go visit Jim's store in Newport News. He's done an amazing job. But it takes a special person and a special mindset to go forward with a project of that magnitude.

Dennis Bussey, Richmond: What impact do the farmers' markets have on this whole industry here? And what trajectory do they have? Is that an increasing market? How are they doing?

Gilligan: I get the sense that they're doing very well. They're always busy, the farmers' markets that they have here in the Richmond region. And they're growing. The numbers of them are increasing and growing. But where it really kind of impacts is the Tom Leonards' of the world. ... So, at least Tom is out on the far West End. There isn't a farmers' market out that way. Most of the farmers' markets are more kind of centralized in the city and places. But I think it's a growing part of the ecosystem, in terms of grocery stores.

Metzger: I think you're seeing even some more corporate-type entities getting into that farmers' market business. Because they see that it's a portal that really hasn't been covered.

It is growing, and they are popular. And again, younger people. Sustainability, local footprint, health and wellness, fresh product. It all ties into that. So thank God to those true farmers' markets people. And now you're seeing some of the corporately owned companies saying, "Can we experiment with this to some degree?" Definitely growing.

James Holland, Chester: I am a part of La Plaza Farmers' Market, located on the South Side. And we are doing pretty bad. I've been there 12 years. We've been in different locations with the farmers' market. I'm a chef. I do pies. Multiculture pies. Marm'ade, bean pies, squash. ... We have today I'm baking lemon chess, I'm baking today. ... Like I said, the farmers' market is struggling. We are located a couple blocks from Turner Road. We're on Hull Street, in between Chippenham and Turner. On Hull Street. So I'm saying — please support us. I would like to know how the markets will be supporting the farmers' market, which are in a food desert. And we have been designated as a food desert by the FDA. ...

Gilligan: So you want one of the grocery stores to be able to buy pies from you, to sell in their stores.

Metzger: Using your recipe? It's a viable option. It's not an easy sell. You would have to go to the buyer, the category manager, and say, "I've got an idea." Again, you've got to have some cachet in the market. ... You've got to go pitch it. But it's definitely doable.

Quote

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Quote

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