

**THE LARGE FORMAT STORE VS. "MOM AND POP:"
IS SUBURBIA A MODEL FOR THE INNER CITY?**

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ABSTRACT

In small towns and suburbs, the arrival of the large format store has had an almost uniformly negative impact on its smaller scale competitors. The present paper examines whether this is also the likely outcome when a large format store enters an inner city area. An analysis of the experience of one such large store suggests the possibility that small town/suburban model may not be applicable to the inner city. In urban areas, population growth, the shopping behaviors of residents, and the ability of small stores to provide specialized product assortments and services may be factors that contribute to the viability of small retailers, who compete against large format stores. Small stores' use of legal technicalities, such as requiring special use permits or enforcing decades-old zoning restrictions, to block the entry of large competitors into major U.S. cities, however, appears to be less effective.

INTRODUCTION

In the 1990s, large format stores, whose development has been traditionally tied to suburban locations, have rediscovered American cities. Such operations bring the promise of wider product assortments and competitive prices to the large lower-income populations that inhabit many inner city areas. Small existing stores that currently serve urban customers, however, see the so-called "big boxes" as unfair competitors, while many residents argue that presence of large retail chains with their uniform product offerings and undistinguished store layouts threaten the unique cultural identity of their neighborhoods.

In large measure, the experience of large format stores in the suburbs and in the small towns of the United States has served as the model for predictions about the impact of such retailers in the city. Critics of large stores cite numerous examples of corporate-owned chains that have drawn trade from Main Street businesses and that have eventually brought about the closing of small, independently-owned competitors. Those occurrences which have, in fact, taken place in many localities across the nation, are put forth as likely outcomes in urban areas. According to such scenarios, city residents like suburbanites before them, will be attracted by the selection and prices of larger operators, and will shift their patronage to the chain retailers. As a consequence, existing small retailers will be driven out of business, and, as large format stores proliferate, city shopping streets will be transformed into the urban equivalents of a strip mall.

The present paper considers the question of whether or not the suburban experience with large format stores presents a valid model for urban inner city areas. The study first reviews literature related to objections to "superstore sprawl," to the shopping habits and preferences of urban residents, and to the demographic shifts that have occurred in many urban areas. Next, it describes the collection of data that was undertaken for the current study and that is related to the competitive and consumer impact of a Pathmark supermarket that has done business on the Lower East Side of New York City for more than 15 years. The paper then proceeds to consider how the Pathmark findings suggest ways in which large store influence in urban areas may differ from that in suburban locations. It concludes with a discussion of the implications of this research for small urban retailers who compete against large format operators.

The 42,000 square-foot Pathmark store, which is the focus of this study, is somewhat smaller than those operators traditionally considered "large format." Three circumstances, however, justify the choice of this supermarket for the present research. First, the store is far larger than its trading area competitors, whose average size is substantially below 10,000 square feet. Second, it is a member of a large regional grocery chain, and thus enjoys considerable market power in the sourcing of goods and in promotional efforts. And third, the supermarket, unlike other large format stores that have only recently entered inner city locations, has operated at its present urban location for long period of time; this circumstance permits a reasonable assessment of its long-term impact on local independent retailers' viability and on local consumers' shopping behaviors.

LITERATURE REVIEW

Recent decades have witnessed a proliferation of superstores in the United States as large format retailers have gained increasing market shares in the sales of such diverse goods as groceries, books, home improvement products, appliances and electronics, toys, and general merchandise. In most areas, large retailers have encountered little resistance to their growth, but in the 1990s some opposition has arisen to the big stores. Citizen groups such as the Massachusetts-based "Sprawl-Busters" have been formed to "defend their hometowns," and the National Trust for Historic Preservation has begun a campaign against superstore sprawl ("In Wal-Mart's Battle. . .," 1995). In addition, the U.S. House of Representatives Small Business Committee has conducted hearings related to the impact of large format stores on small businesses and on communities (Conlan, 1994).

The battle against large format stores in many areas has brought into existence an unlikely alliance between small independent storeowners, who fear the big chain competition, and more upscale residents, who consider such operations to be "sprawling, ugly, impersonal and cheap." The former group points to the boarded-up storefronts that line the Main Streets of many small localities where Wal-Marts and other large-scale retailers have located. They also agree with the head of the Small Town Institute, who has argued: "Sam Walton's perverse genius was to recognize that you don't need to generate new markets when you build a store. Local retailers simply can't compete. They'll go out of business. And Wal-Mart will just take the whole market" (Walters, 1995). For their part, residents, who oppose the large retailers argue that such stores threaten the social fabric of their communities. This feeling has found voice in small communities such as Lake Placid, New York and Old Sturbridge Village, Massachusetts (Walters, 1995); it was also echoed by a New York City resident, who lamenting the impending opening of a Kmart store, stated: "Astor Place can be a mad scene but it has so much character. I hate the thought of stepping over Kmart shoppers on my way to buy bagels on Sunday morning" (Jacobs, 1996).

The negative impact that large-scale stores may have on small town local business has been well documented. Stone (1993) studied the effect that Wal-Mart has had on Iowa towns with populations ranging from 5,000 to 30,000. He found that following the opening of a mass merchandiser, the trading area of a small-to-medium size town initially expanded as customers traveled longer distances to shop at the new store. During that time, local businesses with product offerings that did not compete with the large format store temporarily gained sales, while those selling similar goods lost customers. As time passed, Stone found that the mass merchandisers were likely to saturate a region with stores, and this circumstance, in turn, caused the trading areas of many towns to become smaller than their original sizes. During the ten-year period of his study, he concluded that the smallest towns suffered sales losses that ranged from 16 to 46 percent. Stone, however, limited the degree to which his work could be generalized. Noting that Iowa has had static population growth, he argued that "the size of the retail 'pie' is relatively fixed;" by contrast, where the population was growing, he conceded that the effects he found might be "diluted considerably."

Stone found that large stores in small towns draw customers from surrounding rural locations as well as from the town itself; similarly, a report issued by the Department of City Planning of the City of New York indicates that the suburban big boxes that surround that city attract urban customers. (The establishment of such retail operations in New York itself has been limited by legislation passed in the 1970s which requires many large stores – including supermarkets bigger than 10,000 square feet – to have special use that are both expensive and take years to obtain.) A Gallup survey of 1,000 New York households found that 32 percent of the respondents had shopped in a large format store outside the city limits during the past year. The study also reported that respondents averaged 22 shopping trips outside the city per year, and that they spent an average of \$154 on each trip. Such out-shopping resulted in an approximate loss of \$3.1 billion in city sales each year. The consulting firm of Coopers and Lybrand, however, estimated that \$1.5 billion of this amount could be recaptured if large format stores were available within the city (Department of City Planning, 1995).

The New York report found that the disparity between the number of large format stores present in the suburbs and the city was greatest for the supermarket category (Department of City Planning, 1995). That result is in keeping with the fact that during the 1970s and 1980s almost half of the supermarkets in the major urban areas of the United States were closed. The departure of large food stores – particularly from poorer neighborhoods – left small "mom and pop" outlets as the principal grocery providers for many city residents. Those stores offer very limited product assortments, but their prices tend to be high. In fact, a 1991 study found that residents in New York neighborhoods without a major supermarket had food costs approximately nine percent higher than those living in areas with a supermarket (Alwitt and Donley, 1996).

In 1997, the consulting firm of PricewaterhouseCoopers and The Initiative for a Competitive Inner City, a national, non-profit organization committed to the development and growth of inner city businesses, surveyed 1,205 inner city households. The data collected in that effort offer important insights related to the ways the shopping attitudes and behaviors of lower income residents differ from other U.S. households. Those findings, in turn, have implications for the likely impact that a large format urban store such as a supermarket may have on neighboring small stores. When considering specifically grocery shopping, the researchers found that Hispanic, African-American, and white inner city shoppers enjoy that particular activity more than do shoppers in general. They also found that Hispanic and African-American inner-city residents are more likely to shop at more than one grocery store, and, are more likely to "shop at more grocery stores today than two years ago" than are other U.S. consumers. In addition, the survey revealed that African-American and Hispanic inner-city shoppers, as compared with the general population have a number of distinct characteristics:

they are more price sensitive, less likely to believe "store brands" offer good value, and more interested in the availability of high quality meat, fresh seafood, and a fresh food section such as a deli-bakery. When choosing a store for groceries, the Hispanics and African-Americans in the study were also more likely to rate as "very important" such factors as store cleanliness; friendly, helpful salespeople; convenient location to other stores; 24 hour, seven day a week operations, frequent shopper programs, and credit card acceptance. (The Inner-City Shopper, n.d.)

Of course, an important contributor to the distinctive shopping behaviors of inner-city residents may be the existing built environments in which they currently conduct business. Zukin (1995) has argued that urban shopping districts with their street vendors, imported ethnic goods, and music are closely linked to community identity, and she has warned that the middle-class disruption of shopping streets can have a negative impact on the low income neighborhoods. Nonetheless, she, too acknowledges that immigrant entrepreneurial efforts have not been able to compensate for decades of mainstream disinvestment in inner-city areas. In fact, she has written: "Every major shopping street in American ghettos looks the same, with cheap shoe stores next to discount drugstores next to liquor stores next to vacant lots next to burned out and boarded up stores next to local low price chain stores next to more vacant lots and more burned out stores."

As noted in the previous paragraphs, the population most likely to live in the inner city and to its patronize retailers may be composed of large numbers of immigrants and racial minority members. Since 1970, the arrival of new immigrants in such cities as New York, Boston, San Francisco, and Los Angeles has, in large measure, compensated for the population losses those cities have suffered as city residents moved to the suburbs. During the 1980s, for example, New York received 856,000 newcomers and reversed the decrease in the city's population that had been occurring in earlier decades. In the period 1990 to 1994, the New York gained another 563,000 documented immigrants, a flow that was 32 percent greater than that of the 1980s (Department of City Planning, 1996). The consumption needs of these new residents have the potential to enlarge the size of the existing "retail pie." Equally important, because immigrants have a tendency to move into areas with high concentrations of co-ethnics and have product tastes and preferences not shared by mainstream customers, they may exert strong influences on retail development in the areas in which they settle.

Scholars have noted the importance of immigrant populations in sustaining small retail operations. Waldinger, Aldrich and Ward (1990) have modeled the interaction between opportunity structure and immigrant group characteristics as a means of explaining ethnic entrepreneurial activity. Likewise, Porter (1995) has argued that the ability of ethnic minority members to identify and serve the needs of their co-ethnics in major urban areas of the United States provides a "focused strategy [that] is one way to gain a clear competitive advantage."

METHOD

The foregoing discussion suggests the likelihood that a large format store in an inner-city area may operate in an environment that is quite different from that found in a small town or suburban location. Inner-city regions are "understored," they have large numbers of small, independently-owned competitors, they are home to consumers with distinctive shopping attitudes and behaviors, and they may be the centers of ethnic culture. This nexus of circumstances must be considered in attempting to assess the impact of a large format store.

The Pathmark Store, which is the focus of the present research, opened on the Lower East Side of New York City in 1983. To attempt to understand the influence of this supermarket

on its competitors and on the neighborhood, the author made daily visits to the Pathmark trading area during the summers of 1996, 1997, and 1998. Those visits provided the opportunity to identify the location and size of the smaller food retailers that compete with the large supermarket; to examine the product and service assortments offered by those operators; to assess the ethnic background of store employees; and to determine whether a non-English language was used in business transactions, store flyers, and signage. In addition, many of the retail operations were photographed to create a lasting record of the observations. Observation, rather than mail or phone surveys, served as a primary data collection method because many of the stores appear to be owned and/or operated by recent immigrants, who may have limited knowledge of English and little willingness to participate in surveys.

The extended visits to the Lower East Side neighborhood also permitted observation of the shopping behaviors of consumers in the Pathmark trading area. In particular, the author examined whether supermarket's patrons traveled to the store by car or by foot, and, if by foot, whether they used a shopping cart or individual bags to carry their purchases. She also noted whether riders boarding subway trains near the Pathmark carried shopping bags that could be identified with that store or with any of its smaller competitors.

To supplement the information obtained through observation, the author relied on data collected for the U.S. Census of 1990 and U.S. Economic Census of 1987 and 1992, as well as on the New York City Department of City Planning's analysis of data collected by the Immigration and Naturalization Services. Those materials offered insights regarding the impact of recent immigration on the ethnic composition of New York's Lower East Side and on changes in the numbers of grocery stores in the area. In addition, unpublished research conducted by the non-profit Community Food Resource Center and by Professor David Rachman of Baruch College, City University of New York provided information regarding the survival rates of small and mid-size retailers in the years immediately following the opening of the Lower East Side Pathmark supermarket. Finally, interviews with Harvey Gutman, the Vice-President of Retail Development for Pathmark, offered insight related to the supermarket's operations and to the results obtained from in-store surveys of patrons.

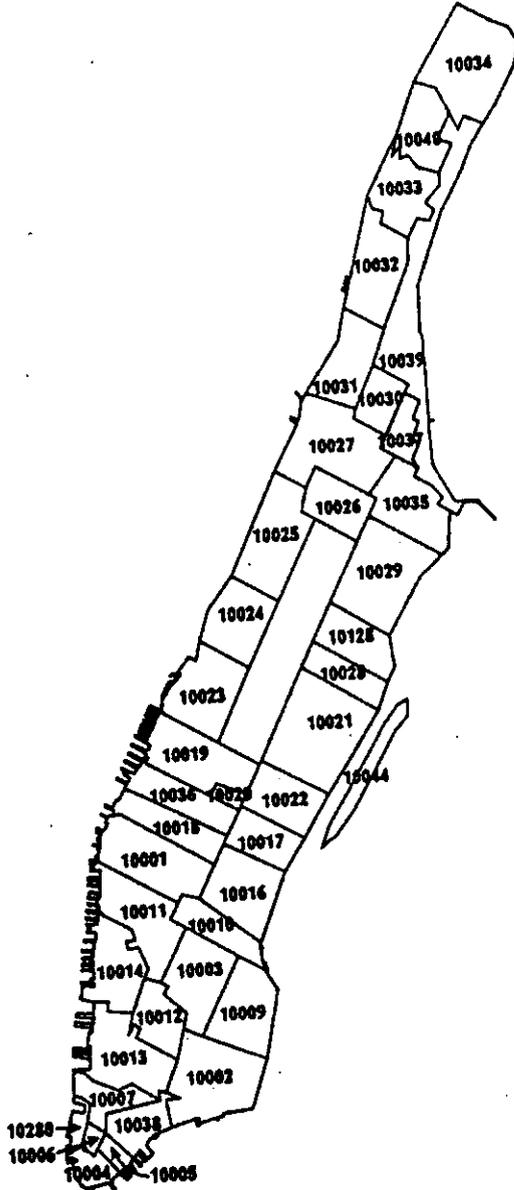
THE IMPACT OF PATHMARK ON SMALL NEIGHBORING STORES

During the 1980s, Pathmark Stores, Inc., a regional supermarket chain based in suburban Woodbridge, New Jersey, expanded its operations into New York City. As a part of this effort, Pathmark, in 1983, established a 42,000 square foot store on the city's Lower East Side. Exhibit 1 depicts New York's borough of Manhattan; the darkened region of the map, which includes those streets extending east-west from Lafayette Street to the East River and north-south from Delancey Street to the Brooklyn Bridge, shows the trading area of the Pathmark store. Prior to the coming of Pathmark, this densely populated neighborhood lacked a full-service supermarket; instead, residents relied on large numbers of small and mid-size retailers to satisfy their grocery needs.

During the months preceding the Pathmark opening, the small Lower East Side storeowners -- like their suburban and small town counterparts, who have faced the arrival of a large format operator -- opposed the new store. Their spokesperson, Richard Lipsky, the Director of the Neighborhood Economic Stabilization Association, argued that the supermarket would disrupt neighborhood trade by diverting "people off the main strips," and reorienting their shopping patterns toward the large store. Under such circumstances, the small grocers anticipated that they would have to make dramatic changes in their operations in order to survive. One owner, for example, reported that he would have to expand his hours of operation from 7:00 A.M. to midnight, but even with added hours, he also expected to lay off two of his four employees (Wolff, 1984).

Exhibit 3

Map of Manhattan Zip Code Areas



A mid-size chain supermarket led the resistance to Pathmark, and its tactics even included an effort to delay the larger store's opening by attempting to limit the availability of parking. The same chain store also purchased the lease of another mid-size supermarket in the area, and closed that store as means of lessening local competition. The Community Food Resource Center, a non-profit organization committed to increasing access to food, branded both actions as "simply self serving." The Center argued that the controversy over parking, which forced the store to operate with only 11 legal parking spaces until a Special Permit was issued in 1984, "manipulated a public land review process . . . as a means of protecting a single chain's market share." In addition, the non-profit organization reported that, after strong community protest, the closed store was re-opened under another name (Community Food Resource Center, 1992).

The high level of concern about the potentially negative impact of the new supermarket on the Lower East Side neighborhood led to two competitive analyses. Pathmark commissioned David Rachman, a professor at Baruch College of the City University of New York to conduct the first study. During the three years immediately following the opening of the supermarket, Rachman tracked the viability of the 66 small specialty stores closest to the Pathmark. He concluded that the impact of the supermarket on those operations was insignificant. Over the course of his study, Rachman found that ten stores were sold. Five of the new owners continued to sell the same kinds of goods as had the former owners, while the remaining five - including a laundromat, which became a grocery, and a bakery, which became a video rental store -- reoriented operations. During the first three years of Pathmark's operations, however, the number of small grocery stores in the area remained the same (Rachman, 1987).

The second research effort was conducted by the Community Food Resource Center. This study monitored the status of the eight largest stores - ranging from 3,700 to 15,000 square feet - within a one-mile radius of the Pathmark store. For the period 1983 to 1995, the Center reported that one grocery, an 11,800 square foot operation, had been converted to a drug and health aid retailer, while the remaining seven supermarkets continued to operate as grocery stores. Moreover, the Center noted that the 7,000 square foot Hong Kong Supermarket, which is located only a few blocks from Pathmark, opened in the early 1990s, almost a decade after Pathmark had entered the neighborhood (Community Food Resource Center, 1995).

In addition to data collected by private individuals and agencies, the U.S. collects information on retail trade government every five years. Exhibit 2 presents the recent statistics related to food retailers in zip codes 10002, 10013, and 10038. These data show that zip code area 10002, the area in which the Pathmark store is located and which witnessed an influx of more than 10,000 new immigrants in the early 1990s (Department of City Planning, 1996), added 25 retail food outlets between 1987 and 1992. Meanwhile, zip codes 10013 and 10038, which each took in between 5,500 newcomers from 1990 to 1994 (Department of City Planning, 1996), gained 15 stores and one store respectively. Many of the food retailers in the three zip code areas were small. In 1992, 19 of the grocers in area 10002 reported annual sales of less than \$500,000 and 32 had fewer than ten employees; similarly, in area 10013, 24 had sales below \$500,000 and 18 had fewer than ten employees (U.S. Bureau of the Census, 1992 and 1995).

Despite the initial fears of small and mid-size grocers, the results of the Rachman and the Community Food Resource Center surveys, as well as the data gathered by the U.S. government, all point to the same conclusion: the presence of the large, full-service supermarket did not undermine the viability of the smaller size food stores in its trading area. Instead, during the years following the opening of the Pathmark, the number of small competitors increased. That result is quite different from the impact of similar large format

stores in suburban and small town locations. The remainder of the paper will explore some reasons for this disparity.

Exhibit 2

Comparison of Number of Food Retailers between 1987 and 1992 In Zip Codes 10002, 10013, and 10038

	1987	1992
Zip Code 10002		
Total Food Retailers	95	118
Grocery	55	59
Meat and Fish	15	25
Bakeries	11	17
Fruit and Vegetable	4	8
Other	10	9
Zip Code 10013		
Total Food Retailers	146	161
Grocery	71	71
Meat and Fish	33	28
Bakeries	20	24
Fruit and Vegetable	4	10
Other	18	28
Zip Code 10038		
Total Food Retailers	52	53
Grocery	24	26
Meat and Fish	6	5
Bakeries	8	8
Fruit and Vegetable	3	3
Other	11	11

POPULATION COMPOSITION OF THE PATHMARK TRADING AREA

Pathmark located its store in the Two Bridges Urban Renewal Area. This is a region of New York City that gained more than 1,000 new housing units during the decade preceding the opening of the supermarket (Community Food Resource Center, 1992). That circumstance, in itself, suggests the likelihood that the new supermarket entered a locale experiencing population growth. In addition, an examination demographic shifts occurring in the store's trading area during recent years points not only to a greater demand for food in general, but also to a need for highly specialized product offerings.

The area served by the Pathmark store is composed of three neighborhoods. The extreme eastern portion of the trading area has traditionally been known as the Lower East Side, the central region as Chinatown, and the most westerly part as Little Italy. During the late 19th and early 20th centuries, Jewish immigrants settled on the Lower East Side, Chinese newcomers inhabited Chinatown, and Italians located in Little Italy. In more recent decades, most of the descendants of the Jewish and Italian migrations have resettled in other areas; however, a fairly large population of Orthodox Jews continues to live at the extreme eastern

end of the Lower East Side. In addition to those inhabitants descended from earlier migrants, the area has, during the past two decades, received large numbers of new immigrants. These include Chinese immigrants, who have overflowed the historic boundaries of Chinatown, and Hispanic newcomers, who have taken up residence in the Lower East Side neighborhood.

The U.S. Immigration and Naturalization Service compiles data on immigrants' place of residence according to zip code areas, which, unfortunately, are not exactly coterminous with neighborhood boundaries. The New York City Department of City Planning's analysis of the INS data, however, grouped zip code areas 10002, 10013, and 10038 together as "Chinatown and vicinity," and that neighborhood roughly approximates the Pathmark trading area. In 1990, the U.S. Census counted 120,136 inhabitants, 48,000 of whom were Chinese in the "Chinatown and vicinity" neighborhood. In addition, analysis of the INS data indicates that the "Chinatown and vicinity" area gained more than 19,000 immigrants between 1990 and 1994, and was the second largest immigrant receiving neighborhood in New York City during those years (Department of City Planning, 1996).

Of the more than 19,000 newcomers who took up residence in the area between 1990 and 1994, 14,600 or 76.3 percent were Chinese (the newcomers account for 30 percent of the area's total Chinese population). In addition, 2,300 or 12.1 percent of the immigrants were from the Dominican Republic. Immigrants from more than eight other nations constituted the remaining 11.6 percent of the newcomers, but none of those groups accounted for more than 2.3 percent of the area's new residents (Department of City Planning, 1996).

Given the patterns of historic and recent immigrant settlement, several separate ethnic areas seem to be present in the Pathmark trading area. At the extreme eastern region is the remnant of the much larger Jewish community that once dominated the Lower East Side. In the 1990s, this Jewish population is relatively small, but many of the remaining Jews are Orthodox, adhere to strict kosher diets, and are ideologically as well as spatially isolated from more liberal Jewish communities. Immediately west of the Jewish enclave is an area inhabited by more recently-arrived Hispanics. That population is younger, may have limited knowledge of English, and prefers foods such as tropical fruits and vegetables associated with the Caribbean. Finally, spilling over the traditional boundaries of Chinatown in all directions is the growing Chinese population. During the past quarter century, the number of new Chinese immigrants to the area has steadily risen, and this growing population together with other newcomers and long-time residents appears capable of sustaining a large number of food retailers.

PATHMARK AND ITS COMPETITORS

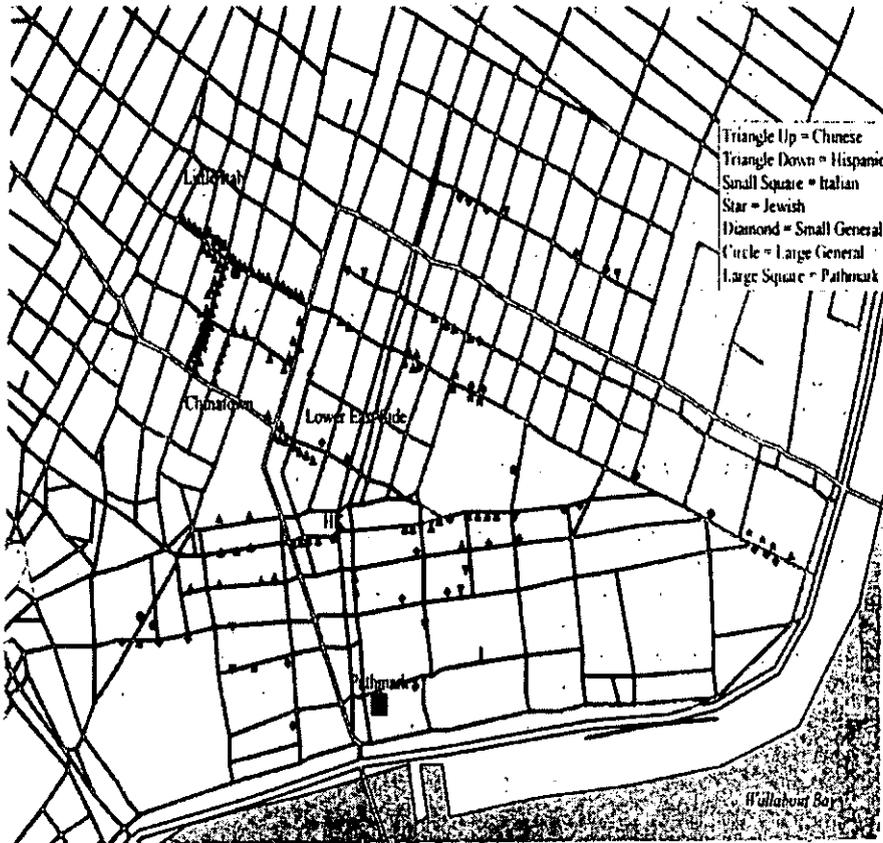
In the years since its establishment, the lower prices and wider product assortments provided by the Lower East Side Pathmark have attracted many grocery shoppers within its trading area. In addition, consumers, who drive and use its easy highway access, and a few shoppers, who rely on subway transportation, also patronize the store. The supermarket has not, however, met the needs of all area residents, and, most particularly, members of different ethnic groups have shown varying degrees of willingness to patronize the store.

Census data indicate that the population of the Pathmark trading area is 30 percent Hispanic, 6 percent African-American, and 42 percent Asian; the remnants of the earlier Jewish and Italian settlements that remain in the neighborhood are not explicitly counted by the Census. Harvey Gutman (1997), the Vice President for Retail Development for Pathmark has indicated that in-store surveys reveal that the number of Hispanic shoppers is proportionate to the area's population, and that Pathmark attracts disproportionately high numbers of African-Americans

and possibly also Jews and Italians. By contrast, the in-store survey results suggest that Asian consumers account for a disproportionately low percentage of the supermarket's patrons.

The map shown in Exhibit 3 indicates the food shopping options available to consumers in the Pathmark trading area during the summers of 1996 and 1997. In addition to the large format Pathmark store, the area supported six mid-size chain supermarkets, the 7,000 square foot Hong Kong supermarket, 107 stores that catered to Chinese shoppers, ten grocery outlets with an Hispanic orientation, six selling exclusively kosher foods, four with an Italian orientation, and 25 small food retailers that lacked a distinct ethnic focus. (The total number of stores is somewhat dissimilar to the statistics obtained from the 1992 Retail Census because the neighborhoods under consideration do not include the complete areas of Zip Codes 10002, 10013, and 10038.) The map also shows some rather substantial regions that have no grocery outlets; large public and private housing developments occupy those areas.

Exhibit 3
Map of Store Locations Showing Ethnic Focus



The number and locations of the various food stores reflect the ethnic composition of the various sectors of the Pathmark trading area. Only a handful of Jewish and Italian stores remain in the Lower East Side and Little Italy neighborhoods. This finding is in keeping with the fact that most of the descendants of the Jewish and Italian immigrants have moved from the area, while those who remain are sufficiently assimilated to patronize chain supermarkets and other mainstream stores. There are ten stores with distinctive Hispanic appeal. Those operations suggest the influence of a growing population of Caribbean immigrants, and their locations are proximate to areas that have recently witnessed an influx of immigrants from the Dominican Republic. Stores with a Chinese focus, however, account for by far the largest number of food outlets in the area. Those retailers are clustered in the traditional Chinatown neighborhood, and are also concentrated in the adjoining areas of Little Italy and the Lower East Side, which have become points of settlement for recent Chinese immigrants.

The proximity of the various food retailers to the place of residence of their patrons appears related to the finding of the PricewaterhouseCoopers survey that inner city residents are likely to shop at several food stores each week. Repeated observations of shoppers at the small and mid-size groceries in the Pathmark trading area indicate that, on each shopping trip, customers generally buy only a bag or two of foodstuffs that can be easily transported to their nearby apartments. A somewhat similar pattern of food procurement even seems to be present at the supermarket itself. At the Pathmark location, observations made over six one-hour periods provided information related to whether shoppers used cars, shopping carts, or bags to carry their purchases from the store. That research found that 51 percent of the shoppers carried their purchases in bags, 15 percent used shopping carts, and 34 percent (some of whom may live outside the immediate neighborhood) relied on cars. Those results suggest that the majority of the grocery purchases at the supermarket were relatively small. This grocery shopping behavior is quite different from found small town and suburban locations where customers who have easy access to cars, may satisfy their weekly food needs with a single visit to the supermarket.

The highly specialized product assortments attracted some shoppers from outside the area, but such assortments also require local shoppers to patronize more than one grocery store. In the Pathmark trading area, many outlets sell only fresh fruits and vegetables, while others offer only seafood or poultry. Bakeries and butcher shops are also present in the neighborhood, and large numbers of "mom and pop" food outlets sell limited selections of convenience foods, beer, and soft drinks. Many of those kinds of stores offer their patrons a wide selection of goods within specific a product category, but none of these individual operations offers a one-stop shopping option.

SMALL STORE SURVIVAL AND ETHNIC FOCUS

The Community Food Resource Center (1992) has argued that the coexistence of Pathmark with its small and mid-size competitors suggests a "purchasing segmentation" of urban grocery shoppers. The Center further noted that "mom and pop" stores may provide convenience, social and cultural networking, [and] certain ethnic foods, while mid-size supermarkets may serve "the local shopper who doesn't want to travel more than a few blocks from home." The observations of the various stories that were conducted for this paper support those conclusions, and are considered in detail in the paragraphs that follow.

Product Assortment

The Pathmark store offers a wide and deep assortment of the foods, health and beauty, aids, and cleaning products that are generally associated with mainstream supermarkets. It also has

reasonably large assortments of kosher packaged foods that are required by Orthodox Jewish consumers and of brands such as Goya and Vitarroz that are demanded by Hispanic shoppers. The store, however, has only limited selections of those fresh fruits and vegetables that are peculiar to Caribbean diets, and offers virtually no products that are targeted specifically to Chinese patrons.

By contrast, Pathmark's ethnic and, in some cases, mainstream competitors have tailored their product assortments to their ethnic patrons. The mid-size Fine Fare supermarket, that is located in the heart of Jewish and Hispanic settlement, has a sign over one aisle that identifies the products on one side as "Kosher Foods" and on the other as "Spanish Foods." The smaller stores in the area tend to cater to even more limited segments. Moishe's Kosher Bakery and Maury's Kosher Meats, for example, sell only foods that meet special dietary requirements of Orthodox Jews. Retailers oriented toward Hispanic customers place fruits and vegetables of interest to those consumers in outdoor displays, advertise "tropical products" on window signs, and display announcements that they send "Valores Documentos a Republica Dominica." In a similar manner, the Italian establishments feature "fresh pasta daily," ricotta and mozzarella cheeses, and other "Italian specialties."

Ranging in size from the Hong Kong Supermarket's 7,000 square feet to a more typical 300 to 500 square feet, the large number of stores that serve Chinese consumers have the most distinctive product assortments. Many of those retailers offer fruit and vegetable assortments that are either exclusively or partially of Asian origin. They also sell a wide variety of fresh fish and shellfish; crabs and other shellfish are generally offered live, and, in some cases, larger fish swim in special tanks until the time of sale. In addition, many stores feature wide arrays of packaged goods from the Orient, while the Hong Kong Supermarket has an extensive assortment of Asian frozen foods, and features in-store cooking demonstrations of those products as well as samples of prepared foods.

Employees

At the Pathmark and mid-size chain supermarkets, business is generally conducted in English and in-store services are those typically found in mainstream grocery outlets. Nonetheless, the composition of the workforce of those stores is roughly proportionate to the ethnic and racial representation in the surrounding neighborhood. There is, however, one very notable exception to this employment pattern. Chinese workers are very underrepresented in the workforce of Pathmark and the other mid-size mainstream supermarkets. By contrast, at the Hong Kong Supermarket and at the other stores with Chinese focus, virtually all employees were Chinese, and most often store employees and customers conducted business in Chinese.

By employing ethnic workers, smaller store owners accomplish two important objectives: they assure the presence of employees, who are able to tailor retail services to the specific needs of their co-ethnics, and they provide job opportunities for newly-arrived immigrants and others, who may have limited employment options. The employees of the small stores considered in this study closely match the customer markets they served. Chinese stores, as noted above, almost exclusively employ Chinese workers, and they conduct business with co-ethnic patrons in their native language. The stores with distinctive Jewish orientation likewise hire ethnic workers, who have first-hand knowledge of kosher dietary rules. Hispanic workers staff bodegas, where business is often conducted in Spanish, and they are also employed by small retailers that lack an apparent ethnic affiliation, such as the William Bridge Deli and Broome Grocery.

Signage

Even without entering stores, potential customers received important information from exterior signage. Pathmark and the mid-size mainstream supermarkets on the Lower East Side use signage to convey the expectation that their stores are similar to others in their respective chains. All of these stores use only English-language signs, and logos and other external symbols are identical to those used by chain members in other locations.

Store signs bearing a language other than English signal the ethnic orientation of the establishment, may serve to attract co-ethnic patrons, and perhaps discourage shoppers of other ethnic/racial backgrounds. Of all the stores visited, Chinese retailers, who serve the largest proportion of recently-arrived co-ethnics, are most likely to display signs or awnings bearing non-English messages. In some cases, only Chinese characters identify the store; in other cases, signage carries a Chinese name written in western lettering and also in Chinese characters; and in a few situations, including the Hong Kong Supermarket and Ocean Star Seafood Market, signs bear both English identification and Chinese characters.

Given the relatively large influx of Dominican immigrants to the Lower East Side during the early 1990s, stores with Hispanic orientations frequently use exclusively Spanish language signage or combined Spanish-English signs. In several instances, those stores also place Spanish language signs in their windows to advise patrons that they accept food stamps. The stores serving Jewish and Italian patrons, who are members of ethnic groups long resident in the United States, do not rely on non-English signage. The Jewish retailers do, however, use their signs to indicate that their foodstuffs are kosher.

Store Specials

Large format supermarkets such as Pathmark have extensive buying power and buy in large quantities; these factors allow them to offer products at prices that are considerably lower than their smaller competitors. The Lower East Side Pathmark, like other members of the chain, offers an assortment of weekly "specials" that are promoted in an in-store flyer. The flyer is part of an umbrella program designed for multiple stores in the New York metropolitan area (Gutman, 1996). During the week of July 21 to July 27, 1996, for example, the flyer featured such items as Perdue chicken, Mardi Gras paper towels, and Diet Pepsi; none of the products, which were also promoted on large signs in the store's windows, had special interest for the ethnic populations that inhabit the trading area.

The numerous, ethnically oriented, small retailers in the Pathmark trading area generally offered few, in any, specially priced items. By contrast, all of the mid-size chain supermarkets in the neighborhood advertised an assortment of specially priced goods in their weekly in-store flyers and on large signs posted in their windows. The majority of products with lowered prices were mainstream grocery items such as hot dogs, strawberries, and Ivory soap. The stores, however, also featured a number of foods with special Hispanic appeal including ten-pound bags of rice, Vitarroz Malta, Goya beans, and green plantains at reduced prices. In addition, the two mid-size stores in area with the highest proportion of Jewish residents also used signs in their front windows to promote gefilte fish, Rattner's knishes and seltzer water.

IMPLICATIONS

Small urban storeowners, who face the entry of a large format competitor, should be cognizant of the differences between small town/suburban locations and inner city areas. The

experience of Pathmark and its competitors points to the importance of identifying the current state of retailing in a given inner city. Unlike many small town/suburban areas, which witnessed the construction of many new stores in the mid-twentieth century, many inner cities failed to gain or perhaps even lost retailers during that same period. As a consequence, many inner city neighborhoods presently are "understored" and are able to support larger numbers of retailers than currently exist.

Population trends in urban areas should also be considered when assessing the likelihood of retailer survival. In recent years, the population of some U.S. cities has grown, and that fact may signal a larger retail "pie" in locations such as that served by Pathmark. Under this circumstance, a new large format store or its smaller competitors may serve new customers, rather than merely divide existing business among a larger number of stores.

Small retailers, facing the entry of a large format competitor into their neighborhood, must also be cautious about using obstructionist tactics to resist the building or operation of the new store. Many local consumers may welcome the lower prices and product assortments associated with such retailers, and make special efforts to limit patronage of those stores that are seen as blocking access to those perceived advantages. In addition, non-profit organizations groups such as the locally-based Community Food Resource Center or those with broader focus such as the Initiative for a Competitive Inner City have become increasingly vocal in working for improved shopping opportunities for lower income urban residents. Those organizations have undertaken important data collection efforts to support their positions, and they are using that information to assist private and public agencies who are joining together to bring large stores to urban areas.

Small storeowners should also recognize that recourse to legal technicalities, such as special use permits or zoning restrictions, may only temporarily slow the progress of constructing or operating a large urban store. Municipal governments in the 1990s have become increasingly aware of the loss of revenues that occurs when urban residents shop in the suburbs. As a consequence, leaders of cities such as New York have shown increasing willingness to ease existing legal restrictions against large retailers, and may even provide incentives to encourage their location within city boundaries.

At present, many urban areas with their large, under-served populations may represent more attractive opportunities for some large scale retailers than do suburban markets that have become saturated with various types of superstores (Cohen, 1999). That circumstance suggests the likelihood that, during the coming decade, large format stores will continue to expand their presence in major cities. Niche strategies, however, are viable options for small operators facing large competitors in urban locations. One shopkeeper, for example, has successfully competed against a Pathmark supermarket for more than ten years by offering greater convenience. When interviewed by a *New York Times* reporter, she stated: "People shop differently here than they do at Pathmark. They come here for the quick shopping. That's what we offer, and we're doing O.K." Another small storeowner has found that the freshness of his fruits and vegetables has been a source of sustainable advantage in maintaining market share (Hicks, 1995).

"Ethnic focus," however, may offer small urban retailers, who do business in areas with growing immigrant populations, the most effective means of attracting and keeping customers. Newcomers to the United States are likely to seek out those goods and services that enable them to maintain ties to their homeland and its traditions. They may also appreciate co-ethnic employees, who are able to understand their needs and who can conduct business in a non-English language. Moreover, the strategy of "ethnic focus" may be uniquely suited to the small retail operation. The individual storeowner is likely to be a

member of the ethnic group resident in the neighborhood, and to be highly knowledgeable about the products, employee services, signage, and promotions favored by a respective populace. By contrast, large chain operations profit by capturing economies of scale, and their mass market strategies may preclude attending to the highly specific needs of a particular ethnic group.

CONCLUSION

The foregoing discussion of the circumstances of Pathmark and its competitors on the Lower East Side of New York City suggests the possibility that the small town/suburban experience, which has associated the arrival of large format stores with the closing of existing small and mid-size stores, may not be an appropriate model for inner city locations. That is not to say that bigger retailers offer no competitive threat to smaller operators, or that the viability of truly marginal stores in urban areas is assured. But the entry of a large format store into an urban neighborhood does not necessarily signal the demise of the existing retailers.

The inner city population is not as homogeneous as its small town or suburban counterparts. Thus, urban residents are likely to require a wider variety of goods and services than are demanded by patrons in other locales. Moreover, as supermarkets, mass merchandisers, and category killers, open stores in city, they eliminate the need for urban residents to travel to neighboring suburbs to meet their shopping needs. This circumstance will produce highly positive operating results for the urban locations, but that success, at least in part, may be the result of city consumers shifting their spending from suburban large format stores to those closer to their homes. However, small retailers in the inner city, both before and after the coming of the larger competitor, may meet particular product and service needs that are quite distinct from those offered by more mainstream stores, and this fact appears to lessen the competitive threat of the bigger operator.

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