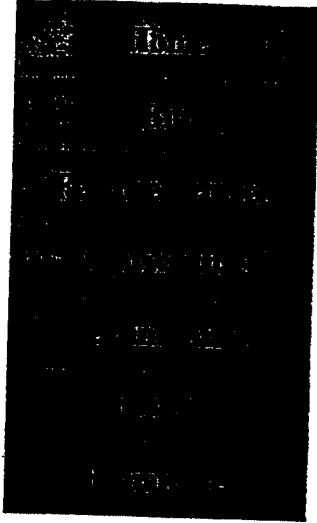


Sheridan Hill **writer**



the inner city pays off for Pathmark

(cover story, spring 2002 Urban Call)

Harvey Gutman, Pathmark's senior vice president for retail development, doesn't mince words when asked why the supermarket chain's marketing strategy includes a 35-year-history of urban locations.

"Why do we open stores in the inner city? Because that is where the people are."

Roughly a billion dollars of Pathmark's annual sales, a quarter of its annual revenue, is generated from stores in urban areas including East Harlem, Newark, the Bronx, and North Philadelphia. About 20 percent of Pathmark's 141 stores are located in urban areas.

The chain's urban successes bear out a recent study by Strategic Mindshare, which found that:

- Retail chains reported more urban stores than rural or suburban in the upper 10 percent of their top-performing stores;
- ranked by sales per square foot, urban stores had a better showing within the top 10 percent of best performers;
- retailers with urban-only locations showed more profit than those with mixed locations.

Pathmark, the twelfth largest grocery chain in the nation, operates only in the metropolitan areas of New York, New Jersey, Pennsylvania and Delaware. Ten percent of the U.S. population live within the hundred-mile radius from the Pathmark corporate offices in Carteret, New Jersey, and the chain continues to see additional opportunities for growth within that region.

The company's history of inner city retailing began in 1965 with the opening of a store in the Bronx and one in Camden, Jew Jersey.

Both stores are still operating. A few years ago, Pathmark spent \$3 million to renovate the Camden store, which is one of several successful partnerships between Pathmark and a local community development corporation.

Urban areas can yield up to six times the spending power per square mile of suburban areas, according to some studies. And brand-conscious African Americans and Latinos, who are often concentrated in urban areas, generally outspend other consumers on clothing and electronic items—regardless of their income.

Recognizing and meeting the particular needs of its customer base is one of the things that Pathmark does best.

"In the inner city locations you'll find higher concentrations of people with lower incomes, and a higher percentage of minorities," Gutman said. "Those are our customers—and they are no less demanding or loyal than customers in the suburbs. If we service inner city customers properly, we have a good chance of keeping them. If not, we won't."

CUSTOMIZED DESIGN AND SERVICES

Although Gutman won't give away the chain's trade secrets, it is plain to see that Pathmark has customized products and services to the realities of the inner city and the tastes of the shoppers who live there.

In Bergenfield, New Jersey, where the Jewish population is high, the Pathmark store carries nearly 150 Kosher brands, including 50 of its own.

Some of the inner city Pathmark stores offer a low-priced van service or a grocery delivery service, especially important for customers who do not drive due to age, income, language or legal barriers. In some locations, only a quarter of the supermarket's shoppers own cars.

Not just one but three automated teller machines in some locations make it easier for public assistance recipients to make withdrawals from their electronic accounts at the beginning of the month, when the store is busiest because of social service payments. The store also creates aisle displays of fast-moving items, such as canned vegetables, early in the month.

A CUSTOMER IS A CUSTOMER BY ANY OTHER NAME

Pathmark's success in the inner city stems from marketing and merchandising consistent with each store's customer base—which means that some common denominators are never changed.

"When it comes to store sanitation and cleanliness there can be no difference in our strict requirements there, and the same with customer service," Gutman said. "No matter where a store is

located, there are no compromises in quality and service."

Although the inner city is certainly where the people are, its location offerings often pose a challenge due to the high-density development. For instance, in Harlem, Pathmark had to build around a firehouse and a post office and put the parking lot on the roof of the store.

"In urban locations, typically the land parcels are less than optimal for development, so we have had to come up with some creative configurations such as rooftop parking, basement parking, and thinking creatively to put build an entrance or receiving area," Gutman said.

Hurdles in inner city locations have included clashes between Latino and African American community leaders over who would control the project's development, opposition from small merchants who feared they would be run out of business, and disputes over the number of jobs that would be set aside for neighborhood residents.

But overall, Pathmark has found a high level of success in the inner city, which has in turn benefited neighborhoods.

"The East Harlem project is a perfect example of how we are rebuilding our neighborhoods, improving the quality of life for all New Yorkers and, most important, putting people back to work," Gutman said. "We plan to continue to attract more private investment and generate more economic activity in the inner cities."

Pathmark Supermarkets has created two programs to help people who were affected by the recent tragedy at the World Trade Center. Customers may contribute up to \$5 at all Pathmark Supermarkets by using in-store scan cards, and funds collected will be provided to the American Red Cross Disaster Relief.

Pathmark donated truckloads of vital products to help the victims of the disaster and provided food and other materials to the rescue workers.

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