Grocery store competition heats up

BOB SKLAR/staff photographer

Lon Makanoff, president and chief operating officer of Meadowdale Foods, parent company of Great Scott!, announced a summer price freeze of some food items. "A lot of consumers are under the impression that we are a high-priced supermarket. We're not," he said.

Great Scott! freezes prices

By Susan Buck
staff writer

Customer reaction was mixed Monday among those polled following an announcement by Great Scott! supermarkets that prices on 300 selected items would be frozen through the summer.

Lon Makanoff, president and CEO of parent company Meadowdale Foods, announced that 300 items from the top-selling commodities in all of its 31 stores will be frozen.

An average supermarket carries 20,000 to 30,000 items.

No fresh fruits, vegetables or meats are on the Great Scott! list.

"We want to be better recognized for what we worked long and hard to achieve," Makanoff said in his announcement, made near the frozen foods section of the Great Scott! store at 11 Mile and Middlebelt in Farmington Hills. "Everyday shelf prices are low, if not lower, than our competitors."

This does not represent a supermarket war, but rather "good, healthy competition," said Makanoff.

But shoppers will have the final word.

"I don't shop here as often as I like because I think they are a little bit too over-priced, but I like the store," said Linda Delavy, a Southfield resident, who was shopping with daughter, Michelle, 6, and Cheryl Nawrocki, 4, whom she was baby-sitting.

LOOKING AT the Great Scott! list, Delavy saw some items she bought but not the brands that she liked. "It would depend on what other sales were going on," said Delavy. "I spend the most money on meats. I stock up on the meats, let it go down and then it's a blow when I have to do it again."

Eldon Dillon, a Farmington Hills resident, said that he shopped at the store because it was conveniently located. "Prices don't make any differences to me," he said.

Anne Sievert of Southfield, who is retired and on a fixed income, said that she is a real "cheapo" when it comes to supermarket shopping.

"I go for house brands," she said, holding two paper towels and a loaf of bread. "You need to be shrewd to shop today. I look for the specials. I have to watch my cholesterol. I don't *buy too many veggies here because* they are too expensive. I go to the fruit market."

Sievert came to Great Scott! to "see what looks good today," she said.

According to Makanoff, Great Scott! was the first to introduce salad bars, fresh seafood, high-speed checkout scanning and FAX machines to its stores. "A lot of consumers are under the impression that we are a high-priced supermarket. We're not. We're every bit as competitive as the other chains. If you look at what they've done over the last couple of years, you'll find that they always copy what we've done."

MAKANOFF SAID that Great Scott! tried to select items that every consumer would buy throughout the summer. They include selected brands and sizes of margarine, cheese, iced-tea mix, paper plates and cups, salad dressing, charcoal starter, as well as cat litter, dog food and detergent. The demand for many of these items increases during the summer, he said.

"Depending on weather conditions, which say this summer will probably be more dry, we're looking at a couple percent inflation," he said.

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K mart sees sales slump

Retail giant looks to specialty niches

By Tim Richard
staff writer

Despite signs of a softening economy, K mart Corp. is moving ahead in the Oakland and Wayne county suburbs with part of its new generation of specialty shops, Sports Giant.

One store opened today in Livonia, and another opened April 6 in Madison Heights.

"We're tapping into this country's zest for the active life, good health and good fitness," board chairman Joseph Antonini of Bloomfield Hills told a crowd of 300 at the No. 2 retailer's annual shareholder's meeting in its Troy headquarters.

Antonini said the firm — best known for its discount department stores but increasingly adding specialty stores — intends to expand its 4 percent share of the market, despite rival Wal-Mart's threat to overtake both it and Sears.

Departing from his text, Antonini said, "We're seeing trends that are a little disturbing," adding in a news conference that store traffic is off this quarter among rivals, too. "Business is bad all over the country in retailing. We were a little surprised when things fell off."

Nevertheless, he predicted a 7 percent sales hike during 1989.

FIRST-QUARTER earnings fell 22 percent to 47 cents a share from 60 cents in the first quarter of 1988, but Antonini said the drop "does not alter our annual plan for 1989."

The company's second Sports Giant is at the Woodland Square on Plymouth Road west of Middlebelt in Livonia.

At 50,000 square feet, Sports Giant will be about two-thirds the size of the average K mart store.

Larry M. Parkin, an executive vice president, said it will stock 35,000 items in 12 departments such as footwear, exercise, skiing, hunting, fishing, camping, water sports, golf and team sports equipment.

For a family membership fee, shoppers can get 5 to 10 percent price reductions. It will employ 90 people.

THE MEETING was relatively tame, despite market pundits' predictions of tough questions because of the earnings drop and leveling of per-store sales.

Except for a few shopper complaints (see related story), Antonini received accolades for progress in using minority vendors (a 46 percent increase to $374 million in 1988).

An employee complained about lack of a cost-of-living pay hike, adding, "I can no longer afford to eat in the cafeteria." She received much applause.

A Presbyterian minister, the Rev. William Somplatski-Jarman, asked Antonini to put pressure on a Georgia curtain supplier, S. Lictenberg Co., which is facing charges of racial bias and union problems.

"This (union ratification) is tied up in court," Antonini replied. "We've talked. They're committed to resolving this. I said we wanted them to get this behind us."

For 1988, K mart reported sales of $27.3 billion, up 6.5 percent; income of $803 million, up 16 percent; and cash dividends of $1.32 a share, up 13.8 percent.

BIGGER BASIC stores, as well as specialty stores, are in the company's $1.3 billion five-year capital plan, the chairman said. Plans callfor:

- 75 to 100 new stores each year for five years — 30 of them replacements for smaller stores.
- 100 to 150 existing stores to be expanded each year. Average store will be more than 85,000 square feet.
- Completion, by the end of 1990, of the price scanner program, increasing checkout lane speed by 23 percent and allowing better inventory control. By the end of 1988, about half of the 2,200 K marts had price scanners. A second goal is to improve inventory turnover.
- Continued expansion for Builder's Square, now at 137 stores for do-it-yourself homeowners and small contractors.
- Experimentation with Makro stores, which have a warehouse club format. A joint venture with SHV Holdings, a Dutch firm, Makro outlets are in Cincinnati, Cleveland, Philadelphia, Baltimore and Washington, D.C.
- An experiment with Office Square, an office supply warehouse.
- The first American Fare, a food and general merchandise "hypermarket," in Atlanta.

Stockholders air shopping gripes

K Mart's shareholders are also shoppers, and they didn't hestitate to take their complaints to the top at Tuesday's annual meeting in Troy.

"Give him a case of Eureka bags free," chairman Joseph Antonini ordered after a shareholder, shopper and retiree, Michael Turok, complained he was unable to find replacement bags for the vacuum cleaner at three company stores. He had purchased the appliance at K mart.

"No excuse," Antonini commented. "We make more money on the bags."

"See that Joey gets a free Nintendo," Antonini ordered after mother Pat Glionma reported her son found the game's price $5-$25 cheaper at competitors.

She said her son saved his own money to buy three shares (current price: $39.25).

To a shareholder who asked for a dividend reinvestment plan, Antonini said it's "something we're working on. The problem is that 60 percent of shareholders own under 1 percent of the stock. We'll look at it."

The company has 201 million shares.

SEEKING TO instill "missionary zeal" for customer service in its 350,000 employees, Antonini said favorable comments were one in 10 when it began a monitoring system 18 months ago.

"Today I am pleased to report over 80 percent of letters from our customers are complimentary. . . We have received over 9,000 complimentary calls and letters this year alone, which exceeds the number received in 1988."

Despite the new emphasis on service, Antonini said the firm's orientation will continue to be on merchandise and prices.