

Middletown-based operator of 10 Foodtown supermarkets continues to evolve

Written by **DAVID P. WILLIS**, 8:11 AM, Feb. 27, 2011|

Packages of sauces and dips prepared at the Super Foodtown in Ocean Township are shown Monday. / STAFF



PHOTO: THOMAS P. COSTELLO

A drive on Route 35 and nearby highways gives a sense of supermarket competition in New Jersey.

Between Holmdel and Neptune alone there are several ShopRites, some Super Foodtowns, a Wegmans Food Market, Whole Foods Market, A&Ps, Stop & Shop, Pathmark, and specialty grocers Top Tomato and Dean's Natural Food Market. Trader Joe's, the specialty grocer powerhouse, is set to open its first Monmouth County store next month.

"I have to say that New Jersey has to be the toughest competitive environment out there," said Matthew P. Casey, president of Matthew P. Casey & Associates, a Clark-based retail research firm specializing in supermarkets and pharmacies. "It is by far the most difficult arena for a supermarket to compete."

The competition is not lost on Louis Scaduto, Jr., president of Food Circus, the owner and operator of 10 Super Foodtowns in Monmouth, Ocean and Middlesex counties. His uncle Joseph Azzolina Sr., and his parents, Louis Scaduto Sr. and Rosemary Azzolina Scaduto opened the company's first Foodtown supermarket 55 years ago. The Azzolina and Scaduto families continue to own and run the company.

"We continue to develop the niche inside of the marketplace and create the points of differentiation where we can in order to keep our consumer base happy," said Scaduto, who was named president last year following the death of Joseph Azzolina Sr., who also was a prominent state assemblyman, in April.

Now Scaduto said the company is poised to grow as it focuses on its competitive edge.

He hopes to add three locations, including a second store in Middlesex County, in the next two years. "To me, it is about strategically positioning our business in pockets that I feel comfortable with," he said.

A shopper can go many places for groceries. Besides supermarket competitors, Target and Walmart now sell food at their stores, too. There are also warehouse clubs, such as Costco, as well as other competitors such as Aldi.

Scaduto credits customer service as one of the company's strengths. It comes down to making customers feel that store staff, from managers to deli clerks, are engaged.

"The level of service that we give is clearly a reason why we can stay in there with our competitors," Scaduto said. "Our rule of thumb is simple: If a customer walks up to you and says, 'Where is the Campbell's soup?' You never say, 'It's down there in aisle eight.' Stop what you're doing and walk them to it."

How else does Food Circus try to set itself apart? Scaduto highlighted:

The supermarket's meat department, staffed with butchers, which features fresh cut meat.

The company's Circus Own brand, including sausage, soups and vodka sauce. "That is clearly a success of differentiation for us," Scaduto said.

Supermarkets like Foodtown have another niche: their size, said Casey, the analyst. Stores such as Wegmans are typically 100,000 square feet. Some customers don't want to navigate large stores.

"Sometimes you just need a gallon of milk, a loaf of bread, and Dove soap and contact lens solution," Casey said. "You don't have to shop the monster size store to pick up a few things."

Scaduto said Food Circus is looking at smaller stores as it moves forward on expansion plans. Those stores would be 35,000 to 40,000 square feet, he said, rather than a large store, such as Super Foodtown in Ocean Township, which is 68,000 square feet. The Red Bank store is about 30,000 square feet.

"I think you can get everything you want to get from a true supermarket perspective inside of that box," Scaduto said.

Scaduto would not comment on possible locations for new stores. "We will pick and choose the battles that we know that we can go into and where we know that we can do well and service the customers and take care of our team members needs in order to make the business continue to move forward," Scaduto said.

The bankruptcy of The Great Atlantic & Pacific Tea Co. creates an opportunity for the state's supermarkets. The owner of Pathmark and A&P said it wants to close the Pathmark store in Middletown and A&P in Barnegat as early as this April as part of its restructuring. A Pathmark store in South Plainfield also was on a list of locations planned for closure, which was distributed by the company's union.

"If the property owner has a desire to want to have another operator come in, we'd certainly take a look at those potential (A&P and Pathmark) operations and see if they make sense for us," Scaduto said.

He noted that Foodtown moved into former Finast locations in Atlantic Highlands, Sea Girt and Red Bank, a growth spurt for Food Circus in the mid 1970s. "I am definitely a believer in growth, but slow growth," he said.

Today, Food Circus is one of two Jersey Shore-area Foodtown operators. The other

is Point Pleasant Beach-based Norkus Enterprises Inc., which owns six Foodtown supermarkets in Monmouth and Ocean counties.

Food Circus is a strong operator, said retail analyst Burt Flickinger III.

But the economy is a concern for retailers as public and private sector employers lay off workers, he said. "Consumers will be much more cash and credit constrained," he said. "For Food Circus and their supermarket peers, you will see people spending less."

Competition from ShopRite, which has seen a sales increase over the last year, has hit all supermarkets, Flickinger said. Those sales have come from competitors, such as Stop & Shop, A&P, and Foodtown, he added.

Food Circus is one of the top independently owned and operated supermarket chains in the state, Flickinger said.

It has strong loyalty and promotional programs as well as a well-regarded private label brand, Flickinger said.

The Foodtown label is on about 1,200 different items, Scaduto said, adding Food Circus hopes to add about another 200 items in the next year. "I do feel strongly that we need to continue to grow our private label program," Scaduto said.

Food Circus remains a family business and its operators grew up in it. For instance, Lou Scaduto Jr. started at age 14.

Now as vice president, Joe Azzolina oversees planning and development, Phil Scaduto heads marketing and administration and John Azzolina oversees finance.

"I know all these people," said Lou Scaduto of the stores' staff. "I mean when I wake up, I think about 1,200 people inside the company and what it is that we are going to do as a family in order to keep them moving in a positive direction."