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Grocery talks continue, survival at stake

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The two sides of the Southern California supermarket talks face a much different landscape than they did when the last big strike loomed.

Competition from the big box stores like SuperTarget and Costco, the poor economy, a lack of customer loyalty and changing sales models make it difficult to predict an outcome for the ongoing negotiations, experts say.

Some 62,000 United Food and Commercial Workers voted on April 21 to authorize a strike against three supermarket chains. Since then, a federal mediator has been called in to assist in the talks between the union and the companies, which include Albertsons, owned by SuperValu Inc., Ralphs, owned by Kroger Co., and Safeway Inc., which owns Vons and Pavilions.

The last strike began in October 2003, when the companies feared that WalMart's new non-union superstores would eat into their profits. The chains pushed for better contract terms, the unions pushed back, and 70,000 grocery workers walked picket lines at 900 stores. When the strike finally ended in February 2004, grocers lost an estimated \$1.5 billion.

Unionized grocery chains dominated Southern California in 1979, eating up 90 percent of the market, according to Strategic Resource Group, a New York retail consultant. Now, Albertsons, Vons, Ralphs and Food 4 Less have just 32.8 percent of the grocery market, according to the group's analysis.

"Both sides of the bargaining table have very good points, but at this point it's a matter of survival," said Burt Flickinger, Strategic Resource Group's managing director. "Typically any market that's dropped to 40 percent or less in unionized supermarket sales can lose another 15 to 20 percent of market share during the next decade, which would have catastrophic consequences for the unionized chains and the members."

Key sticking points include an increase in health care costs, shift scheduling and pension changes.

Keeping customers has been difficult with the growth of new specialty stores and the poor economy, so many shoppers are no longer loyal to a certain brand, said Lisa Barron of UCI's Paul Merage School of Business.

"It's not like airlines, where you try to rack up miles on one airline," she said. "The loyalty issue is not too great. People just don't mind going to any grocery store."

Barron also wondered whether the workers would have the public's support, given the tough financial times. With many people suffering from pay cuts and a decline in health benefits, the union workers' cause may or may not be popular, she said.

"All of us are like, 'Hey look, we're all in this boat,'" Barron said. "On the other hand, because a lot of people have been laid off or know people who have been laid off, there might be more empathy for people who are struggling to make it, who are not making a lot of money and who have to pay more for their health care."

Although retailers say they need givebacks from the unions to compete, that is not the only strategic option available to the companies, said Chris Tilly director of the Institute for Research on Labor and Employment at UCLA.

"In general, added low-price competitors put pressure on the grocery chains to keep prices low, and most retailers' knee-jerk response is to do this by driving down labor costs," he said. "Retailers can also compete by building and maintaining a reputation for higher levels of quality, freshness, and service, even if they don't have the lowest prices."

For instance, Costco combine high wages and high productivity to keep prices low, Tilly said.

The chains are also looking at new sales models, which could mean a "revolutionary change" in the store models, further impacting workers, he said. Self-scanning at the checkouts lessens the need for retail workers, he said, and online ordering is becoming popular in Europe.

"It's been very hard for retailers, certainly in the U.S., to make this model work, but it seems like there's a lot of progress being made in experiments," Tilly said.

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