

A Post-Labor Day Reflection on Grocery Jobs in Our Evolving Industry

By Scott Moses

I put myself through college working as a bartender. I might have worked part-time at a supermarket had there been any nearby, but there were not at the time (I bought all of my groceries at the nearby CVS, which even then had an ample food offering). That job paid for food, rent and utilities; without that job, I don't know how I would have made it through college.

As the Delta variant to COVID-19 continues to threaten our health and constrain our lives, America's grocers and their millions of essential teammates have indefatigably persevered, honorably serving the country each day with grit and grace, enabling us to safely feed our families. But America's grocers, particularly our local regional supermarkets, many of which are family-owned, have served another important role for generations, as I often say, as pillars of thousands of our communities. Many grocers are exceptional corporate citizens, donating extraordinary amounts of food and money to the needy, thereby reflecting the very best of the strong foundation that makes our country the light of the world. Throughout the pandemic, our grocers have led by example, recalibrating stores to be sanitary and safe, and extending substantial "hero pay" bonuses to teammates in harms' way, at a cost of over \$24 billion from March 2020 to March 2021 (according to FMI), and clearly much more since then.

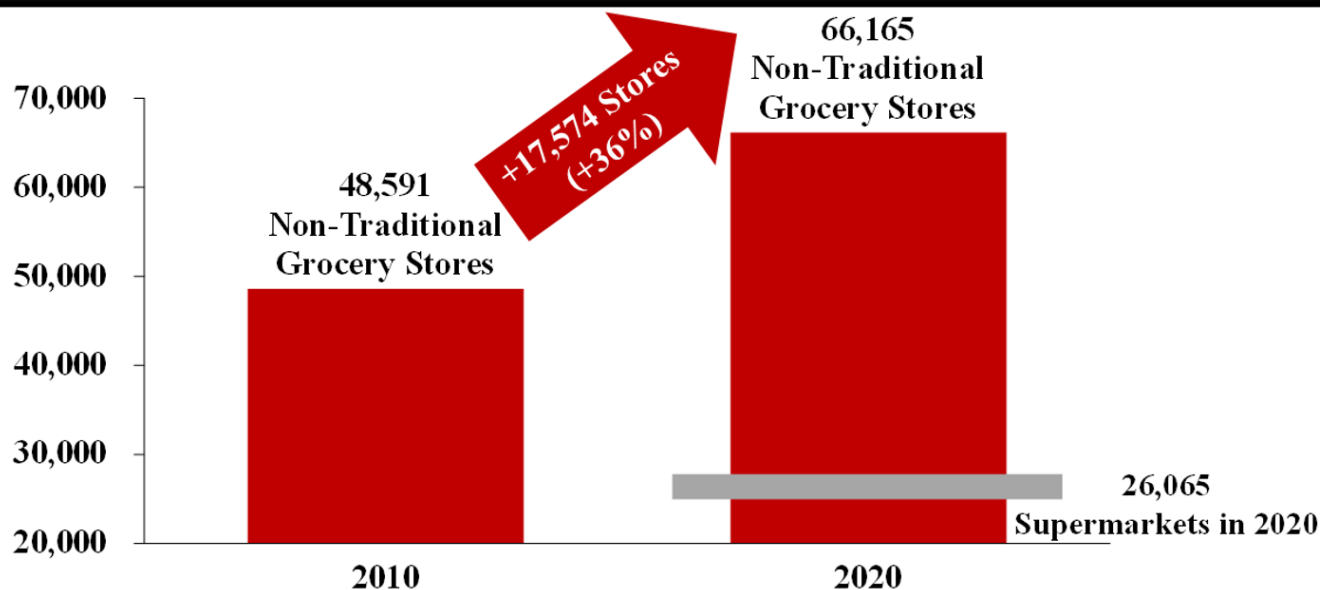
It seems fitting as I write this on Labor Day to acknowledge that America's grocers are also responsible for millions of rewarding jobs and, by extension, the well-being of millions of families around the country. Some of these jobs are long careers that support families for decades; others are temporary and often part-time, but still highly productive and an important contributor to the great experience so many of our local supermarkets provide us.

Those early part-time jobs that so many of us had, working ourselves through high school and/or college, were often transformative. They not only helped us pay our bills, but they helped us grow into adulthood, appreciate responsibility, build pride in "real world" accomplishments and learn the value of dedicated customer service. These early supermarket jobs helped develop many of the towering figures of our industry, like Rodney McMullen, Bob Miller, Jim Donald and so many other great leaders at America's grocers and beyond.

When a supermarket needs to be closed, roughly 100 people lose their jobs; it is simply gut-wrenching. While the number of non-traditional grocery stores continues to proliferate at eye-popping levels, adding over 17,000 new stores in the past ten years (up 36% and now totaling over 66,000), there are nearly 1,000 fewer supermarkets today than ten years ago (now totaling ~26,000). That's roughly 100,000 supermarket jobs lost; **100,000 jobs**. That's 100,000 families with children to feed; 100,000 sets of bills; 100,000 American dreams suspended. There have been way too many supermarket jobs lost, way too many communities robbed of a supermarket pillar and pivotal early job experience for their future leaders. It's unlikely that a replacement job at an Amazon fulfillment center (while they last, before they are automated away) offers the same rewarding experience of engagement with our neighbors.

If my college job had closed, I would not have been able to get to the outskirts of town to work at a fulfillment center (I didn't have a car). I'm not sure how I'd have been able to pay my bills and remain sufficiently focused on school. My story likely would have been different. I doubt I'd be writing this today.

Rapid Growth of Non-Traditional Grocery Giants – 2010 to 2020



Source: Progressive Grocer Annual Report of the Grocery Industry, Public Filings and PJ SOLOMON estimates. Note: Non-Traditional Grocers includes: Club, Discount, Dollar, Supercenters, Drug and Natural / Gourmet.

Over the past 20+ years, I've advised clients on dozens of M&A transactions, impacting thousands of stores and hundreds of thousands of grocery jobs. While I am very proud of the considerable value we have helped deliver to our clients' owners and senior officers, I am far more proud of the jobs we have helped protect at the stores we've helped transition to bigger, stronger owners, enhancing their ability to compete with the fast-growing Non-Traditional "Grocery Giants." These "Giants," such as Amazon, Walmart, Target, Costco, Dollar General and Family Dollar/Dollar Tree, are now the primary grocery outlet for over 60% of Americans (up from 19% just 19 years ago, according to FMI) and comprise a growing majority of American grocery sales, particularly as their share of accelerating online grocery demand increases as well.









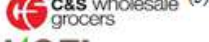






















During this pandemic, Non-Traditional Grocery Giants have been ominously exploiting their significant scale and capital structure advantages to leverage supply chain allocation benefits, not only to stock their shelves (as has been widely reported), but also to procure increasingly scarce fixtures and building materials to accelerate store growth and renovations (which has not been as widely reported). They've increased marketing and technology spend to drive customer acquisition and retention. And finally, they've delivered wage increases that are difficult for smaller grocers to match (whether in the free market or when forced to do so by municipalities whose leaders may not fully understand grocery microeconomic urgency). These pressures further extend the competitive advantages enjoyed by Non-Traditional Grocery Giants, undermining regional supermarkets' ability to keep many stores open and their teammates employed.

On Labor Day of all days, perhaps we should ask ourselves what is required for America to continue to have thousands of supermarkets that provide millions of great long-term careers of engagement and rewarding part-time personal growth opportunities for young people in our communities. Forward-thinking supermarket CEOs and boards around the country are taking a clear-eyed look at these realities, but amid Non-Traditional Grocery Giants' ever-expanding competitive and capital investment advantages, the implication for supermarkets' continued ability to maintain employment levels, without being a part of larger organizations with stronger capital structures, is deeply troubling.

My job may be to maximize value for our clients; but a core part of our mission will always be to help clients protect these essential grocery jobs from store closures.

Best wishes for a happy and safe post-Labor Day/back-to-school season to everyone across our sector. Heartfelt thanks to the millions of grocery heroes around the country who have done so much to serve our communities, particularly in the past 18 months.

Top Grocery Employers

Grocers	Grocery Sales (\$B)	Grocery Stores	Employees
 Walmart ^(a)	\$248	5,342	1,600,000
 Kroger	\$105	2,742	465,000
 COSTCO	\$75	559	273,000
 Albertsons	\$58	2,278	300,000
 amazon WHOLE FOODS ^(a)	\$49	611	1,298,000
 Ahold Delhaize USA	\$47	2,028	239,000
 TARGET	\$43	1,909	350,000
 Publix	\$43	1,272	227,000
 C&S wholesale grocers ^(b)	\$27	630	14,000
 UNFI	\$27	71	28,000
 CVS	\$26	9,962	300,000
 DOLLAR GENERAL	\$26	17,426	158,000
 H-E-B	\$25	384	137,000
 Wakefern	\$18	362	80,000
 ALDI	\$18	1,600	50,000
 DOLLAR TREE / FAMILY DOLLAR	\$16	15,772	197,000
 Walgreens ^(a)	\$15	8,992	190,000
 TRADER JOE'S™	\$15	530	51,000
 meijer	\$12	256	70,000
 BJ's	\$12	221	32,000
 HuyVee	\$11	280	86,000
 Associated Wholesale Grocers	\$11	N/A	5,500
 Wegmans	\$10	104	52,000
 giant eagle	\$9	475	32,000
 Southeastern Grocers	\$8	425	40,000
 WinCo FOODS	\$8	134	20,000
 SPROUTS FARMERS MARKET	\$5	363	35,000
 MARKET BASKET	\$5	86	26,000
 ingles	\$5	198	27,000
 weis	\$4	197	23,000
 RITE AID	\$3	2,506	50,000

Source: Company filings, publicly available information and PJ SOLOMON assumptions.

a) Employee count represents total U.S. employees.

b) Store count represents owned and licensee stores.

c) Store count represents distribution centers.

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