



The Anti-Walmart: The Secret Sauce of Wegmans Is People !

By DAVID ROHDE

An East Coast supermarket chain shows that a business can generously train its workforce and profit handsomely



ROCHESTER, N.Y. - Cashiers are barred from interacting with customers until they have completed 40 hours of training. Hundreds of staffers are sent on trips around the U.S. and world to become experts in their products. The company has no mandatory retirement age and has never laid off workers. All profits are reinvested in the company or shared with employees.

A doomed Internet startup? Occupy Wall Street fantasy? Bankrupt retailer recently purchased by Walmart?

No, a \$6.2 billion-a-year, 79-store-supermarket chain with cult-like loyalty among its customers. **Wegmans**, which operates its 79 stores in New York, Pennsylvania and four other East Coast states, shows that a business can generously train its workforce and profit handsomely.

Privately owned by the **Wegman family**, the chain employs 42,000 people - 20 times the number who work for Facebook - and defies quarterly-driven Wall Street wisdom. Executives say their most important resource is their **workers**.



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"Our employees are our number one asset, period," said Kevin Stickles, the company's vice-president for human resources. "The first question you ask is: 'Is this the best thing for the employee?' That's a totally different model." Yet the company is profitable. Its prices are low. And it is lauded for exemplary customer service.

"When you think about employees first, the bottom line is better," Stickles argued. "We want our employees to extend the brand to our customers." The Wegmans model is simple. A happy, knowledgeable and superbly trained employee creates a better experience for customers. Extraordinary service builds tremendous loyalty. Where, though, is the profit?

High volume, according to company executives. The chain's stores are enormous - usually 80,000 to 120,000 square feet - larger than a typical Whole Foods and roughly double the size of a traditional supermarket. And they feature a dizzying array of 70,000 products, nearly twice the number available in a standard grocery store. Across the East Coast, **Wegmans supermarkets have the highest average daily sales volumes in the industry.**

Employees are omnipresent in stores and do seem knowledgeable. With little prompting, they launch into exhaustive but friendly accounts of where the meat, fish or produce they sell hails from, what each item tastes like and how best to prepare it.

A fish salesman raved about the exhausting standards of the company's distributor in Alaska. A butcher said he had visited the ranch where a steak came from in Montana. And Maria Benjamin, a 38-year Wegmans veteran, started running a store bakery after managers loved her homemade Italian cookies.

"They let me bake whatever I want," said Benjamin, one of 1,015 people employed at the company's 135,000-foot flagship store in Pittsford, New York. "They're really down-to-earth, wonderful people."

Executives say the company is also able to invest in its employees and focus on steady, strategic growth because it is not publicly traded. They said cutting jobs or shipping them overseas was, in part, the product of having to relentlessly please the stock market. "Some of that is that public mentality," said Stickles, who has an MBA and once planned to be a stock broker. "The first thing they think about is the quarter. The first thing is that you cut labor."





Wegmans

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The Wegman family, which grants few interviews, has owned and run the company since 1916. Robert Wegman, whose father and uncle opened the first store, dramatically expanded the business in the 1970s by being one of the first chains to vastly expand store size, include pharmacies and use bar codes.

Today, the chain is run by Robert's son, **Danny**, 65, and his two daughters, Colleen, 41, and Nicole, 38. Mary Ellen Burris, a 78-year-old senior vice-president and family confidant, said the owners refuse to open more than three stores a year because "we cannot continue to be the best if we try to go at a faster pace." She said the family has no interest in taking the company public.

"No, absolutely not," Burris said. "It takes away your ability to focus on your people and your customers."

Like other companies, Wegmans has made mistakes. Over the years, it has had to close nine stores that failed to generate adequate revenues. And critics have accused it of moving stores out of poor urban neighborhoods and focusing its operations on wealthy suburbs. And while the benefits are generous, its pay rates are good, not extraordinary.

Wegmans has also clearly benefited from being based in **Rochester**, a small but historically prosperous area in upstate New York that was the birthplace of Western Union, Kodak, Xerox, Bausch & Lomb and other companies. Wegmans treats its employees well in part to keep them from gravitating to other firms.

Competition has also forced the company to change. The arrival of **Walmart**-owned supermarkets caused a sharp reduction in prices in 2004.

"It was clear that people were gravitating to the discount stores," said Jo Natale, the company spokeswoman. "And so we completely changed the way we did our prices."



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But she and other executives insisted that Wegmans' real advantage was the company's happy, high-quality workforce. It sends butchers to Colorado, Uruguay and Argentina to learn about beef. It sends deli managers to Wisconsin, Italy, Germany and France to learn about cheese. Last year, it awarded \$4.5 million in college scholarships to employees. The company has half the turnover of its peers. In February, *Fortune* magazine declared it the fourth-best company to work for in America in 2012. In 2005, it was number one.

"What some companies believe is that you can't grow and treat your people well," Burris told me. "We've proven that you can grow and treat your people well."

Wegmans is a model. It shows that companies can train, innovate and profit at the same time.

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