

With strike over, Raley's turns its attention to customers

By Dale Kasler, Sacramento Bee

Raley's has settled its strike in time for Thanksgiving, restoring labor peace to Northern California's turbulent supermarket industry.

But as picket lines disappeared and strikers returned to work Tuesday morning, Raley's faced a competitive landscape overrun by low-cost, nonunion companies – and must immediately try to regain favor with shoppers.

“How long is it going to take to get our customers back?” wondered Michael Bates, a veteran employee at the Freeport Boulevard store in Sacramento, shortly before he dropped his picket sign.

The 10-day strike concluded with Raley's able to boast that it won cost savings from the United Food and Commercial Workers. Details of the new contract weren't released, and it's unclear if the West Sacramento grocer lowered its costs enough to better compete with low-price competitors such as Wal-Mart and Target.

Raley's gave ground to the union on a key issue. The United Food and Commercial Workers rebuffed the company's demands to redo its health plan and eliminate coverage for Medicare-eligible retirees.

Preserving the health plan “is an extraordinary accomplishment for our members and our retirees,” said Jacques Loveall, president of Roseville's UFCW Local 8, in a video message to members.

Although the contract must still be ratified by members of Local 8 and San Jose's Local 5, and a vote is not yet scheduled, union leaders ordered picket lines removed right away from Raley's and Nob Hill Foods stores. Raley's said the 500 replacement workers hired in the past week would be dismissed.

Even though they didn't strike, Bel Air workers are covered under the new contract.

The walkout leaves bruises. Raley's must repair its image and lure back customers following the first strike in the family-owned company's 77-year history. In the days before the strike, union officials described Raley's as a fine institution that had lost its way.

With Thanksgiving just over a week away, Raley's has likely lost some crucial holiday business as some shoppers have already ordered their turkeys, said retail consultant Burt Flickinger III.

"Raley's may be competing for Christmas, Hanukkah and New Year's more than Thanksgiving," said Flickinger, managing director of Strategic Resource Group in New York.

Raley's will announce a host of new promotions to get customers back, said spokesman John Segale.

Beyond the holidays, Raley's must find its way in an increasingly crowded market. Chief Executive Michael Teel said before the strike that Raley's was losing millions of dollars a year.

In a statement announcing the deal, he said the contract "provides us with the cost savings we need to fund our vision and the initiatives to make us more competitive."

The savings weren't disclosed. But it's likely, based on the deal the UFCW made with Save Mart Supermarkets in September,

that workers will surrender at least some of the premium pay they earn working Sundays and night shifts. Base pay for the most senior employees is \$21 an hour, although most earn less than that.

Even with lower costs, Raley's isn't in the clear. Flickinger said the companies hurting Raley's – and fellow union chains Safeway and Save Mart – aren't going away.

“The competitive pressures are unprecedented, particularly with Wal-Mart, Tesco (Fresh & Easy), WinCo, Costco,” he said.

One thing in Raley's favor is the quick end to the strike. “It's a good thing for the company and the workers,” said Bob Reynolds, a grocery consultant in Moraga. “It's much better than a long, bitter, acrimonious, brick-through-windshields kind of thing.”

Both sides were showing signs of vulnerability. Segale said nearly two-thirds of Raley's workers – and nearly a third of Nob Hill employees – crossed the picket lines.

The union succeeded in persuading droves of customers to shop elsewhere. Segale said business was generally stronger in the Central Valley than the Bay Area.

“It wasn't without impact to our business,” Teel said in a letter sent to the *Bee's* editorial page after the strike ended.

The UFCW likely strengthened its hand last Thursday by signing a new contract with Safeway. The deal, like the one Save Mart signed in September, preserves the union's health plan.

Segale said the Safeway deal didn't affect Raley's strategy. But Raley's felt one week was enough and called the union. Talks resumed over the weekend in San Francisco and concluded with a marathon session that ended sometime before 8am Tuesday.

“Both sides felt the need to wrap this up before the holidays,” Segale said.