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The Impact of Management-Labor Relations on an Independently Owned Supermarket - A Case Study

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During the latter part of 1966, John Grimes became interested in establishing a retail business in Centerville. He considered several types of businesses for the city, which had a full time population of slightly less than 12,000 plus a university student population of about 10,000. In addition, there were several thousand people living in the county and small communities in counties to the north, west, and south, who did some of their shopping in Centerville.

Grimes discussed business opportunities with several local businessmen and then with the bank. His friend at the bank informed him that the retail food businesses in the community were quite profitable, particularly the affiliated SPARTAN store. He recommended that Grimes contact a wholesaler-sponsored voluntary chain, DELTA, which had its headquarters and wholesale operations about 75 miles southeast of Centerville.

Grimes' DELTA Supermarket

Grimes did not know anything about the retail food business, but it looked promising. Also, for tax reasons, he wanted to get a retail business in operation during 1967. Therefore, he contacted DELTA and they offered to conduct a feasibility study for a retail food store in Centerville. DELTA recommended that a store be established adjacent to the highway located near the west edge of the city, and thought that the store should be able to attain $40,000 or slightly more in sales per week within three years, which would be about a 20 percent share of the market.

Grimes became quite interested in a food store, but was still concerned about his lack of knowledge concerning the food business. He was confident that he could handle the personnel, financial and sales promotional aspects of the business, but did not know anything about food merchandising. DELTA informed him that they would provide assistance in locating an experienced manager, and a DELTA supervisor, Bob Meyers, would work closely with him and the store manager. Grimes decided to go into the retail food business and affiliate with DELTA.

Within four months, with DELTA's assistance, store construction was underway and Jim Harris, an experienced store manager, was hired to manage the store when it opened.

Grimes' DELTA retail food store opened in the fall of 1967, and business from the beginning was very good. Within a few weeks, sales had increased to $30,000 per week. The store was competitively priced with the three major competitors (two chain and one independent affiliated store) and lower priced than three small independent food stores that were not strong competition in the market area. Grimes's was more service-oriented than any of the other stores and had a very good meat department, though not as outstanding as the other competitive affiliated store. However, due to location, merchandise assortment, excellent service, and extensive promotional activity, the store developed a positive type of image profile with consumers, and became well known in the community for its outstanding sales promotion events.

Promotional Activity

Grimes' DELTA store spent considerably more for advertising and sales promotion activities than any of the other competitors. The newspaper advertising very effectively combined institutional and product advertising, and the radio advertising, which was extensively used, included having the local radio disc jockey broadcast from the store for several days about every two or three months when there was a special sales promotion activity. Themes were used for the sales promotion events and drawings were held, with major prizes being awarded such as color television sets, portable black and white television sets, fishing boats, snowmobiles and even a $3,000 sail boat.

Due to good operational practices, successful merchandising and outstanding promotional efforts, sales increased to a range of $55,000 to $60,000 weekly, or a market share of about 30 percent, by the spring of 1969. Throughout 1969, 1970 and 1971 sales continued in the $55,000 to $60,000 weekly range.

Personnel Policies

The store manager, Jim Harris, had established a good relationship with the employees and with the DELTA store supervisor, Bob Meyers. Harris got along all right with the owner, John Grimes, but was concerned about the unwillingness of the owner to consider his ideas, and sometimes he felt like a "mechanical robot manager" for Grimes. The owner was in the store almost every day, and sometimes several hours a day. In particular, Harris disagreed with the owner on personnel policies; specifically wages, fringe benefits and work schedules. However, Harris liked his work and was paid well, so he didn't push the matter with Grimes except to express his concern that personnel policies might ultimately cause some serious difficulties with store employees.

Harris talked to the DELTA supervisor about his personnel concerns, but Meyers stated that the owner had made it clear when the store opened that DELTA was not to interfere at all in personnel matters since he, Grimes, had considerable experience in that area. Meyers had previously discussed personnel matters with the owners, but it was obvious that Grimes did not think DELTA should be involved in personnel policies for the store. Therefore, Meyers advised Harris not to be concerned about the personnel policies aspect of the business, as it was apparent that Grimes did not want to listen to anyone about personnel matters would handle them himself. Grimes had a reputation of being a stubborn and bullheaded independent businessman, so both men decided not to push the personnel issue, even though they were greatly concerned that personnel problems might develop in the store.

Initial Beginnings of Labor Problems

In 1970, or about two and a half years after the opening of the store, the employees became increasingly disenchanted with wages, fringe benefits and work schedules. Harris, the store manager, sympathized with the employees, but stated he could not do anything as the owner was not willing to pay more for store personnel, due to the availability of replacement employees in the community. Grimes' employees were aware of the wages being paid by the competing chain unionized stores, and by the nonunion affiliated independent store, that paid wages competitive with union wages. Also, part of the employees' dissatisfaction was due to the owner's use of extensive promotional activity and costly prizes. The feeling was: "If he can give away expensive gifts, why can't he pay us a wage similar to the other retail food stores in Centerville?"

Grimes' DELTA store was paying the following wages in 1970:

Department Heads and Cashiers	$2.25 per hour
Stockers and Carry Out Personnel	Minimum Wage
Meat Department Head	$4.00 per hour
Meat Cutter	$3.00 per hour
Meat Wrapper Operator	$2.25 per hour

In addition, there was no retirement program, a minimal medical insurance coverage, and a one week vacation with pay for all full time store employees.

Grimes' DELTA payroll costs were substantially less than those for his major competitors. However, Grimes did use more full and part time employees (37) than his competitors, and was able to offer more service. With the additional staff, this meant employees did not have quite as heavy a work load. One of the major reasons that Grimes' DELTA store had been able to promote extensively was that payroll costs were low. Grimes felt he had built a very successful, profitable business on service and extensive promotion. He did not want to reduce service levels, promotional expenditures, or the profit level. Therefore, he believed he had to keep employee wages low. Furthermore, with the university in the community, he could easily replace any employee who decided to quit; and this was not very likely, as local employment opportunities were limited. However, Grimes felt he had to pay the Meat Department employees well, which he did, because competent meat department employees were difficult to hire.

Labor Problems Intensify

Later in 1970, the employees wanted to talk to the owner about their gripes concerning pay and scheduling, as it was apparent that Harris, the store manager, could not take any action. A spokesman for the employees reluctantly talked to Grimes about their concerns pertaining to low pay, inadequate fringe benefits and scheduling problems (such as bringing employees in to work three or four hours early in the day, letting them off for several more hours' work.) Grimes talked to some of the employees after the meeting with the spokesman, and assured them he would consider their problems and would try to make an adjustment in wages for 1971. However, he informed them that operational costs were high, and it would be difficult to make the really high adjustment they desired. In addition, employees were told that it wouldn't be difficult to replace them if they were not happy working for Grimes' DELTA store. The employees were concerned not only about their pay, but also their jobs; so they decided to wait and see what kind of adjustments Grimes would make for them in 1971.

1971 Labor Difficulties

A small increase in pay was awarded to all the employees in 1971; but no more than the usual increase, and pay still lagged far behind the competitors. Also, there was no improvement in fringe benefits or in work schedules. Neither the store manager, Harris, nor the DELTA store supervisor, Meyers, were consulted concerning the wages and work schedule. After the labor difficulties with employees in 1970, Harris and Meyers had tried to discuss the problem with Grimes, but he informed them that he would make personnel decisions concerning wages, fringe benefits, and work schedules, and they should not interfere. Therefore, neither the store manager nor the supervisor discussed personnel matters again before Grimes made his wage increase announcement.

After the wage increase was announced in 1971, the store employees were very displeased. They expressed their dissatisfaction to the store manager. Reluctantly, Harris discussed the matter with the DELTA store supervisor, but the latter had no advice and did not want to get involved with the owner again concerning this matter. The next day Harris talked to the owner; but Grimes again informed him that personnel matters were not the store manager's prerogative, and that he could not pay higher wages, so the issue should be dropped. After this discussion the store manager informed the employees that eh could not do anything about their wage situation.

Extensive costly promotion activities were continued by the Grimes' DELTA store in 1971, and the employees were increasingly resentful at giving away very expensive prizes when their wages were low. The store employees, with the exception of meat department staff, discussed whether they should consider affiliating with a union. Some wanted to contact the union, but others did not, due to fear of losing their jobs. For a few weeks discussions concerning unionization took place among the employees. The store manager was aware of the discussions, but he did not inform the owner as he had been told to stay out of personnel matters.

Employees Contact the Union

While the employees were considering joining the union, a cashier was discharged by Grimes. She was a well liked employee and very capable. The difficulty stemmed from the cashier asking for a divorce from her husband, who happened to be the owner's brother. The employees were told by the owner that the cashier was fired due to poor performance. However, they did not accept this explanation and began to wonder if they had any job security.

This last action by the owner was more than many employees could accept, so it was decided in the summer of 1971 that a spokesman for the employees should contact the Retail Clerks office, in a city about 90 miles to the southwest. Neither the manager nor the owner were initially informed that the union would be contacted. The labor official was informed by the employees' spokesman that more than half the employees were interested in affiliating with the union.

Next, the union informed the owner and the N.L.R.B. that more than 50 percent of the employees were interested in affiliating with the union. A vote was scheduled by the N.L.R.B. for September.

After receiving notification that the employees were interested in union representation, the owner became very disturbed. His initial reaction was to terminate a number of the employees. However, during a pre-vote period there can be no threats or promises. In September, prior to the vote, the owner held two lengthy meetings with store employees and specifically discussed why they wanted the union and said he could take care of their problems without any "outside interference." Also, he mentioned that many jobs would have to be terminated if the wages were increased. This did not satisfy the employees, as they had been told the same story a year before. The store supervisor from DELTA and the store manager were not asked for advice until shortly before the election. The store manager had no suggestions and he actually favored the employees' position. Meyers, the store supervisor, recommended that all N.L.R.B. elections provisions be followed, and also that the owner try to settle down the employees and explain why he felt it best for the store to stay nonunion. However, the supervisor believed it was too late for any specific strategy, as the vote would be conducted in less than two weeks.

The election was held in late September. When the results were tallied, the employees had voted unanimously to join the union.

Discuss the following question concerning the case:

1. What management-labor relations mistakes did John Grimes make at the beginning of the labor difficulties in 1970?

2. What action could possibly have been taken in 1971 to prevent the employees from becoming interested in the union?

3. What labor relations recommendations should have been made by the DELTA store supervisor during 1970 and 1971?

4. What strategy should the owner have followed during the one month period just prior to the union vote?

5. What action should the owner now take in negotiating with the union?

6. What impact will substantially higher labor costs have on the service level and promotional activity of the store?

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