



## EXCLUSIVE REPORTS

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# Thrashed Safeway goes on PR offensive

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After taking what many observers regard as a public relations and financial thrashing in the 140-day Southern California supermarket strike, [Safeway Inc.](#) has gone on the offensive to sway public opinion as it enters into contract negotiations in its crucial Bay Area market.

As the Sept. 11 expiration with 33,000 union grocery workers in the Bay Area approached, publicity-shy CEO Steve Burd started granting interviews to a handful of print media outlets. Last week, several other senior managers for the company held a conference call with reporters from both the Bay Area and Sacramento, where negotiations have been limping along since the contract for 15,000 union employees expired July 17. Burd and his top managers explained their reasons for seeking health care concessions from their employees and a two-tiered salary and benefit package for new and existing workers.

"We are eager to tell our story and communicate with the public," said Brian Dowling, spokesman for the Pleasanton-based grocery giant, which has 16,000 Bay Area employees. "The unions certainly aren't bashful about doing it. We feel that at this time, it's in the interest of everyone that we communicate our message early and often."

That didn't happen in Southern California, where regular shoppers at Safeway, Albertson's and Ralphs stores stayed away in droves during the strike. The loss in business during the strike to all three companies has been estimated at \$2 billion; even Safeway officials admit that since the strike ended in March, sales have not returned to pre-strike levels.

In the realm of contract negotiations, reaching out to the public represents a major departure for Safeway. But while neither side talks details of contract offers, employee unions are typically much more likely to make public comments about the progress - or lack thereof - in bargaining.

"We don't want to be in the position of negotiating through the media, but at the same time, we want to make our positions clear," Dowling said. "We want the public to know our position on the health care issue and why it is so important."

Reductions in employee health care costs were the main bone of contention in Southern California and have come up in every subsequent contract negotiation for Safeway and other major supermarket chains from Washington, D.C., to Washington state.

But the two sides have different takes on the issue: Burd maintains major cost-cutting is the only way traditional grocery chains will survive in their battle with nonunion competitors, especially Wal-Mart Stores Inc., which offer lower pay and benefits. Officials of the United Food and Commercial Workers union, however, say Burd is capitalizing on the competition issue, using it as a justification to end affordable health care for middle-class supermarket workers.

Ron Lind, a spokesman for eight Bay Area UFCW locals, sees no ambiguity whatsoever in the company's newfound voice.

"There are two reasons Safeway is making its views public all of a sudden," Lind said. "One is they know they are on the wrong side of this issue, so they think they need to defend their attempts to take our benefits away with the public. (Safeway) is also trying to preempt our strategy of getting our message out to the public, such as distributing boycott pledge cards to customers in the stores and at public events.

There may have been a big internal battle inside Safeway over whether to change its traditionally guarded corporate culture - at least in this instance - and the company's PR difficulties in the south state probably had a major effect, according to Ellen Galvin, a partner at Emeryville's Galvin Communications public relations firm.

"Safeway and Steve Burd were very much under fire down there and the strike generated a lot of negative publicity for them," said Galvin, who spent two years as a brand consultant for San Francisco-based Prophet.

Galvin said the change is welcome, but overdue for Safeway, North America's fourth-largest supermarket chain with 1,812 stores in the United States and Canada.

"If you don't control your own message, someone else will do it for you," Galvin said. That's the same thing she advises her corporate clients. "And it is usually someone who has an ax to grind with you."

Galvin contends Safeway's brand image, once synonymous with high-quality neighborhood supermarkets in the minds of most Americans, has taken a beating of late, mainly because of its labor problems.

"Steve Burd doing an interview wouldn't be so noteworthy if he had been doing it all along," Galvin said. "I'm sure they are getting some counsel on protecting their brand, but this wouldn't be so necessary now if it had been a bigger priority all along. A CEO is the protector and champion of the company brand, but that person has to get out in public on a regular basis."

However late, Safeway will probably help its cause locally by going public in the event of contentious negotiations and a strike, Galvin said.

"Down south, Safeway was very reactive, forced to comment on bad press," she said. "When you say nothing, others define your message. It makes more sense to get out in front."

The UFCW's Lind says Safeway's new PR push will not wash with a Bay Area populace that generally supports labor.

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