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## C&S Wholesale Grocers: Self-Managed Teams

Rick Cohen, president and CEO of C&S Wholesale Grocers, a 70-year-old warehousing and distribution company, stared out over the company's 400,000-square-foot<sup>1</sup> warehouse facility on a gloomy afternoon in October 1988. In early 1988, C&S had landed its biggest single account to date when it agreed to act as the principal wholesaler to A&P stores throughout New England. This one move of new business increased sales from \$450 million to \$650 million. The year that followed had been a difficult one, as Cohen and the members of the senior management team had worked to accommodate the demands of the grocery store giant while simultaneously servicing the company's existing customers.

With the holiday season only a few weeks away and C&S scheduled to begin receiving large orders for the upcoming season from its new A&P customer at the beginning of November, Cohen was worried about whether the company's existing operations would be able to meet the needs of all its customers and maintain the high levels of customer satisfaction for which the company was known throughout New England. He wondered whether there was something that could be done to enhance the productivity of his operation.

Cohen had recently read an article about a relatively new concept called self-managed teams, which when implemented successfully had been credited with enhancing an organization's quality, productivity, and competitiveness. The idea behind self-managed teams was to eliminate layers of management by turning over to teams responsibility for their work, for monitoring and evaluating their performance, and for adjusting the way they carried out their tasks in order to solve problems and adapt to changing work conditions. Cohen wondered how such a concept could be implemented in the context of a labor-intensive warehouse environment. C&S had a long history of operational innovation that dated back to the company's founder, Cohen's grandfather, Israel Cohen. Despite that history, Cohen wondered whether this was the right time to push forward with what might amount to a major operational change, and if so, how to go about doing so.

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<sup>1</sup> This is slightly less than the area covered by seven football fields.

## The Wholesale Grocery Industry<sup>2</sup>

The wholesale grocery industry was a labor-intensive and logistics-oriented business. Wholesalers were sandwiched in the supermarket industry value chain between manufacturers and retailers. Wholesalers purchased and received goods from a myriad of manufacturers, stored the goods in warehouses, and then sold and distributed the goods to retailers in an ongoing replenishing process. Categories of goods included frozen foods, dry grocery (e.g., canned goods), general merchandise, and perishables.

Most grocery products were shipped on pallets from the manufacturer. Each pallet contained a specific number of cases of a particular product, and each case contained a specific number of units of the product. A pallet could contain hundreds of units of a particular product (e.g., cat food) or a few dozen (e.g., laundry detergent). The problem that manufacturers faced was how to economically ship pallets of product. The cost per case of sending less than a full truckload of product was significantly greater than sending a full truckload. But few chains and no grocery stores needed, let alone could accommodate, truckloads of a particular good. In fact, very few retail outlets needed an entire pallet full of most products at any given time, and few had storage space where overflow product could be stored.

Wholesalers not only attempted to accommodate the shipping economics of the manufacturers but also the demand requirements of the retail outlets or grocery stores. Wholesalers received full truckloads of manufacturers' goods, broke full pallets into case quantities, and shipped cases of product to retailers. Thus manufacturers shipped full truckloads to wholesalers, and wholesalers shipped truckloads of "customized" pallets<sup>3</sup> of goods to retailers on a daily basis, as per the needs of the individual outlets.

### *The Warehouse*

A warehouse typically covered 400,000 square feet of land and consisted of a flat concrete foundation enclosed within walls several stories high. These warehouses could be upwards of 40 feet in height. Inside the warehouse, rows of steel shelving, usually several levels high, were arranged in parallel. Aisles approximately 12 feet wide separated the rows of shelves. Products were stored on the shelves and were organized either by type of goods (dry grocery, general merchandise), by stocking formats (cans, crates, rolls), or by frequency of delivery (fast-moving, year-round supermarket products versus seasonal items). Additionally, items that required specific environmental controls (perishables, frozen foods) were stored in self-contained temperature-controlled rooms within the warehouse if not in a separate physical location. (**Exhibit 1** presents the layout of a typical wholesale grocery warehouse.)

Inbound trucks<sup>4</sup> delivered trailer loads of goods from manufacturers and food distributors. These shipments arrived throughout the day and night. The "receiver," who was employed by the warehouse, met the drivers as they arrived and instructed them to back their trailers into one of the inbound receiving bays. If the receiving bays were full, the driver would be directed to leave the

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<sup>2</sup> This section draws from Professor James L. McKenney, "C&S Wholesale Grocers," HBS Case No. 398-108 (Boston, MA: Harvard Business School Publishing, 1998).

<sup>3</sup> A pallet leaving the wholesale warehouse would often consist of cases of dozens of different products. For example, cases of various manufacturers' mustards, ketchups, and relishes could all end up on the same pallet.

<sup>4</sup> On occasion the trucks were owned and operated by manufacturers or supermarket chains, but more often they were independently contracted by those parties to go to and from a wholesaler's warehouse.

trailer in a designated holding area alongside the warehouse. Trailers, once unloaded, were immediately removed from the inbound receiving bays to make room for another inbound truckload.

Pallets of inbound goods were unloaded, usually by the truck driver, using a pallet jack<sup>5</sup> and placed in the receiving area of the warehouse, where they were inspected by the wholesaler's receiver and signed off as having been received.

Forklift operators transported the items from the receiving area to designated "pick slots" throughout the warehouse. Pick slots were the spaces on the warehouse floor below the steel shelves where pallets of products were stored and from which workers, called selectors, would "pick" or select items to fill an order placed by the supermarket. Sometimes the slots were deep enough that two pallets of product could be stored in them, one behind the other. If the pick slot were already full, the forklift operator would store the pallet on the overhead storage shelves. Sometimes, if the forklift operator was in a hurry and there was no room in the pick slot for the pallet, he or she would leave the pallet in the middle of the aisle and return later to store it.

Selectors would pick or select items according to orders placed by customer supermarkets the night before or that morning. Each selector had a pallet jack that held two empty pallets onto which selected items were loaded. Throughout the shift, selectors received paper printouts from their supervisors that listed the specific items that needed to be shipped out to a particular supermarket on a given day. Custom-designed logistics software generated automated "load designs" that optimized the order according to which products would be picked from the pick slots. Each selected item was loaded onto pallets on the pallet jack, and when the order was complete the pallets were taken to the outbound shipping area of the warehouse. The process was physically demanding and required a tremendous amount of bending, lifting, turning, and carrying. On any given day, a selector would handle 2,000 cases of food products—cases that averaged 30 pounds. Thus, a selector could lift over 30 tons of product every day.

In the outbound shipping area each pallet of items was shrink-wrapped by a "loader". Also, in some cases supervisors would audit the shipment before the loader placed the pallets onto one of the empty trailers at the outbound shipping bays.

Supervisors were located throughout the warehouse, monitoring the activity of their subordinates and instructing them in what tasks needed to get performed. Once the trailer was filled, drivers would back their trucks into the trailers and haul the load away to the appropriate destination.

There were several other support personnel in addition to those already mentioned. Because of the amount of dust created by the cardboard boxes in which the products were stored, the floor of the warehouse needed to be cleaned frequently lest the surface become slippery, leading forklifts and pallet jacks to skid and causing employees to slip and possibly injure themselves. A team of cleaners operated motorized scrubbers used to keep the floor in the warehouse clear of dust and debris. Employees in the warehouse administrative offices (shippers, shipping clerks, and slotters) prepared orders, tracked shipments, requested trailers to be delivered to the shipping bays, and performed numerous other administrative tasks. Additionally, there were maintenance people who kept the equipment running and performed building repairs, freight haulers who moved inbound pallets of product from the dock to the aisles, and utility support people who performed a myriad of tasks

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<sup>5</sup> A pallet jack was a heavy-duty, battery-driven motorized vehicle used in the wholesale warehouse to move pallets of product through the warehouse. The jack was approximately 15 feet long and weighed about 2,500 pounds. A selector maneuvered his or her pallet jack through the aisles of inventory and back to the loading area, stopping where necessary to select cases of product in order to complete a particular order. Items were stacked vertically and compactly on wooden or plastic pallets placed on the pallet jack before being shrink-wrapped and loaded into delivery trucks.

ranging from stacking empty pallets to loading bales of cardboard onto trucks headed to recycling centers. Approximately 50% of the employees in the warehouse were selectors, loaders, or forklift operators, and 50% were engaged in support functions.

### *Competition*

In the late 1980s, grocery wholesale companies were still largely regional. Although several small wholesalers were scattered throughout the United States, 35% to 40% of the national market was concentrated in the hands of four large companies. The two largest players were SuperValu and Fleming, both public companies and both with several billion dollars each in annual revenues. SuperValu had been a public company since 1938, whereas Fleming had just completed its initial public offering (IPO) a year earlier, in 1987. SuperValu, in addition to being the nation's largest grocery wholesaler, had invested heavily to establish its own chain of supermarkets, which operated under the SuperValu name. Fleming, too, operated a chain of supermarkets.

Although they represented themselves as “national wholesalers” that catered to a variety of retail formats—chains and independent grocers—SuperValu and Fleming were particularly strong in the midwestern and southern United States, respectively. Neither had a particularly strong presence in New England, where C&S was a key player.

It had been rumored that both Fleming and SuperValu were contemplating the expansion of their operations into the northeastern United States. Both firms were heavily capitalized and therefore were in a position to expand quickly.

### **C&S Company Background**

Israel Cohen and his business partner, Abraham Siegel, founded C&S in 1918. Both men had worked for several years for other grocery wholesalers before they joined forces. The company's first building was a 5,000-square-foot, three-story warehouse facility in Worcester, Massachusetts and was managed by three warehouse workers who handled 1,200 grocery products. In 1929, Worcester's Blackstone River flooded its banks, swamping the C&S warehouse and soaking its entire inventory. Despite the flood, C&S survived and, in 1930, Israel moved the company to a new location a few streets away on higher ground. The new facility was nearly twice the size of the original facility.

C&S grew through innovation and attention to customer service. For example, in the 1930s Israel decided to man delivery trucks with one, instead of two, employees. The logic behind this decision was simple—if company salesmen and relationship managers could be cross-trained to drive the delivery trucks, costs could be halved. The company also responded more quickly to customer needs through more efficient warehouse practices. Although some wholesalers were aggressive with their customers, C&S representatives took time to talk with customers, listening to their ideas and concerns about stocking. C&S had a reputation for being professional when dealing with clients. Israel Cohen emphasized the critical nature of pleasing customers at all times. Slowly, the company's reputation for customer service spread, thereby allowing the company to increase the number of its customers.

Lester Cohen, the founder's son, had been a B-24 navigator in the Pacific front during World War II. Following the war, Lester identified an opportunity for C&S to work with the commissaries on military bases to supply them with grocery products. Throughout the second half of the 20<sup>th</sup> century, C&S forged relationships with over two-dozen military bases in New England and along the East Coast. These military bases were longtime C&S customers by 1988.

Following World War II, unlike many other wholesalers such as SuperValu and Fleming, C&S resisted moving into retail, preferring instead to focus on warehousing and distribution services. The company had already developed competitive advantages through the employment of cost-efficient technologies and processes.

### *Growing the Customer*

In 1958, C&S won the Big D supermarket account. This represented a pivotal moment in the company's history. For the first time C&S had an opportunity to serve an eight-store supermarket chain and not just focus on smaller independent stores. When news became public that the innovative Big D was working with C&S, other food retailers considered shifting their business to C&S. Thus began a period of solid growth for C&S as the company adopted a new strategy whereby it focused on the acquisition of larger supermarket accounts. This strategy proved lucrative, and soon the company's sales reached \$2 million annually. Between 1958 and 1974, C&S enjoyed a period of significant growth. As its client base continued to grow, C&S outgrew several warehouse facilities and was forced to acquire larger spaces from which it could serve its customers effectively.

The grocery wholesale industry, although mechanized, still required a tremendous amount of manual labor. Like those of other grocery wholesalers in the northeastern United States, C&S's warehouse workers were represented by a strong union.

## **Rick Cohen**

Rick Cohen, raised in Worcester, Massachusetts, grew up in the family business. He completed his undergraduate studies at the Wharton School at the University of Pennsylvania. Upon graduating, Cohen reluctantly returned home to help his father and brothers run the business. In 1987, Cohen became president and CEO of C&S when his father, Lester, retired.

Cohen explained his early experience at C&S:

For some reason I was fascinated with the analytical part of the business. I could look at the production numbers and quickly determine where we needed to improve.

In the early years I worried every day whether we would succeed. I still worry about what might happen if the business goes away. So I just keep having high expectations of the C&S family, and they just keep meeting expectations.

## **The Move to Brattleboro**

When Cohen joined C&S in 1974, annual sales had grown to \$48 million. Over the next several years, the business continued to grow. However, in 1975, C&S and its union went through a three-week strike that nearly bankrupted the then 60-year-old company. Soon after settling the strike, Cohen and his brother convinced their father, Lester, that they needed to move their business out of Worcester and start over as a nonunion operation. In 1981 C&S opened a 300,000-square-foot warehouse and distribution complex in Brattleboro, Vermont, next to a major north-south interstate highway. The massive facility had a large receiving area, myriad towering stacks of steel racks to hold huge quantities of inventory, dozens of motorized pallet jacks and forklifts zipping by piled high with cartons of products, and a large loading area on the outbound shipping dock. Not only

was the facility 50% larger than the company's previous warehouse, but it also had a refrigerated section, thereby enabling C&S to expand its breadth of services by handling refrigerated and frozen products.

Cohen knew that C&S faced a critical situation: The company had just relocated to a modern warehouse facility and was well poised to serve large supermarkets, which were increasingly dominating the grocery retailing business. However, Cohen knew all too well that in order to pay for the operational expansion, C&S needed to win large supermarket contracts quickly.

The company had sales of \$98 million in 1981, and Cohen's goal was to reach \$300 million in sales by 1986. Many in the industry doubted that C&S could survive let alone reach such a lofty goal. Cohen's calculations proved correct, if not conservative—the company survived and generated revenues of \$400 million by 1986.

## A&P Strains C&S's Operations

Through the early 1980s, C&S continued to land new accounts that generated greater volume and enabled the company to continue to expand its workforce. Yet, C&S was nowhere near capacity in terms of the volume of throughput the Brattleboro facility could handle. Thus, it was with great excitement that Cohen announced to the management team that he was in serious negotiations with A&P supermarkets. A&P not only switched to C&S, but A&P also acquired Waldbaum's stores, more than doubling C&S's business in the Northeast. A&P representatives had toured the Brattleboro facility and were impressed with the new, modern warehouse. In 1987 A&P signed C&S to provide wholesale grocery services to all of its stores in New England. As a result, A&P became the largest single C&S customer. The A&P business increased C&S sales by 35%.

Although there had been great excitement throughout the warehouse when he had announced that A&P had signed on as a customer, Cohen soon found himself dealing with major challenges associated with remaining competitive and serving a large customer, such as rising operational costs, shrinking margins, quality control, and customer relationship management.

In order to satisfy the increased throughput that had resulted when C&S signed on A&P as a customer, Cohen was forced to hire more employees. Coordination also became an issue, and soon Cohen found himself hiring more supervisors to oversee the process. Supervisors were spending numerous hours verifying the accuracy of the orders before they were placed on trucks to be shipped to individual retail outlets. (**Exhibit 2** presents a breakdown by position of the 822 C&S employees at the Brattleboro facility.)

The increase in the size of the workforce led to an overcrowded workspace. With more employees scrambling to fill orders, the result was congested aisles, which made it difficult for forklift operators to replenish stock and store incoming product. When they did succeed in getting down an aisle, the forklift operators often did not have time to hoist the product onto shelves and therefore left product in the aisles. Thus, aisles soon became even more congested. The congestion not only made it difficult for employees to fill orders but also led to an increase in the number of employee accidents. As work hours increased, employees became physically exhausted and more prone to injury. As a consequence, employee morale dropped, and turnover began to increase. For example, the annualized turnover rate of warehouse selectors was approaching 90%. (**Exhibit 3** presents additional demographic and productivity data for warehouse employees.)

A forklift operator in the warehouse described the situation:

We were having five, sometimes 10 new people a week come into the warehouse. None of these people knew their way around. We had to train them, and yet often because of the increased workload, we didn't have time to do a good job of it.

We were all rushing around. No one had time to think. Pallets of product were just left in the aisles because we didn't have time to hoist the pallets onto shelves. People would get to the slot where laundry detergent was supposed to be and find the slot empty, or worse yet, find some product like shampoo that should have been shelved three aisles over sitting there.

Cohen realized that if the business was to continue to build on its history of success something would have to change. In early 1988, Cohen met Reuben Harris, an external consultant, while attending a seminar.

Harris recounted his meeting with Cohen:

When I met Rick in late 1987 he was paying close attention to issues such as maintaining quality standards, but he was also very focused on the financial pressures he faced. Rick explained to me, "C&S is a high-quality company, but we are not leveraging our capabilities." We discussed one alternative, which was to raise prices, but Rick explained that the company promised the customer the lowest price. In light of the fact that the wholesale business was so highly competitive, we therefore concluded that in order to remain competitive C&S would have to come up with a way to cut costs instead, without compromising quality.

Harris described what he learned about C&S from Cohen:

The real problem was a cost and quality problem. To give you an example, the way C&S was operating to fulfill a typical store order was the following: An order came in and five selectors would be chosen, largely at random, to each pick 20% of the order from different aisles around the warehouse and bring the cases they selected to the loading dock. These selectors were paid individually on a piece-rate system based on the quantity of cases selected. At the dock, after selectors completed their orders, the loader would encase the pallets of product in shrink-wrap and then load them onto the outbound trucks. The loader was paid on an hourly basis. Also at the loading dock, before the pallets were loaded onto a truck a salaried clerk would complete necessary paperwork to accompany the delivery. Finally, a salaried supervisor would eyeball the load and the paperwork before signing off on delivery. Each of these parties had nonoverlapping responsibilities.

If the customer reported that a case of product was missing from the delivered order, it was virtually impossible to ascertain whether a mistake had indeed been made on the C&S end, much less identify who specifically was responsible. There was no accountability. C&S just absorbed the cost as a cost of doing business, and it could be substantial. The customer would typically phone in to the Customer Service Department and request a credit for the missing item/items. If the store needed the items immediately, C&S would also send an emergency van to deliver the goods. There were also several soft costs involved.

Cohen described the scene at Brattleboro:

There was paperwork everywhere. We had people checking on each other, and still we were having problems with quality control. I know that our competitors faced the same issues and continued to run their warehouses the same way, but I wanted to improve our situation.

One option was to have more supervision and more checkers, but with a command and control management system, 30% of our staff would be checkers. I didn't want that.

## The Idea of Self-Managed Teams

Even before Cohen met Harris in 1987, he had already flirted with the idea of instituting self-managed teams at Brattleboro. But after several conversations with Harris, Cohen resolved to explore the possibility of self-managed teams in earnest.

Cohen decided to run a small experiment in the warehouse. In the late summer of 1988, five senior employees, who Cohen had approached and who seemed receptive to the idea of improving the C&S operating model, agreed to form a team and to work together to complete orders for four stores, unsupervised. This team was to follow up with the customer about the quality of the shipment once the customer received it. The results of the experiment were favorable: team productivity, measured by time to complete the orders, improved. The quality of the orders was excellent, and each of the five men said they enjoyed the experience of working as a team. Noting their enhanced efficiency and quality, the team informed Cohen that if C&S were to adopt this model, the company would have to compensate them differently for working as a team.

Cohen intuitively believed that if management provided employees with the opportunity to become more involved in their work and to have more control over how they did their work, then they would be more satisfied and more productive and feel a greater sense of pride in their accomplishments. He saw increased employee involvement as going hand in hand with improved operational performance, especially for a veteran workforce like the one in Brattleboro. Encouraged by the results of the experiment with a single team, he was ready to take employee involvement to a higher level at C&S.

Harris reflected on what he called the beauty of the team concept:

Basically, if a cohesive team was responsible for selecting, loading, clerking, and signing off, all accountabilities could be traced back to that collective group of individuals. If they get to choose their teammates and decide how they will go about carrying out their tasks and responsibilities, then by definition, the team would become self-managing. The number of supervisors could be reduced, and cost savings achieved could be used to provide higher compensation to selectors. Rick was also convinced that a move to teams would improve quality by assigning accountability clearly to the team.

## A Management Huddle

In late October 1988, Cohen, Harris, and a couple of senior executives created a list of principles that they believed would need to be followed if the team concept was going to succeed. Specifically, the team (1) should be self-selecting rather than assigned, (2) should have the power to remove any member for any performance-related reason, (3) should earn compensation based on total team productivity and split the pay equally among members, and (4) should be paid bonuses for quality (accuracy) and receive deductions from pay for errors in shipments.

Since productivity improvements, cost reduction, and improved quality were at the heart of the motivation to change operations, management also had to consider what kinds of performance metrics made sense.

Cohen explained:

We were not sure what the right metric was for a target number of cases per shift per team. We argued about how to determine the figure and ultimately polled a few of the warehouse employees themselves. We decided on 9,000 cases per shift per five-man team. It passed the smell test. We then decided on a crude compensation scheme: eight cents per case, a quarter of a cent for the “right” case, and negative \$1.00 for the wrong case per team. Paying quality bonuses in addition to regular pay was something we knew we would have to address, but this along with other kinks would have to be worked out over time.

Although top competitors had focused on improving logistics and warehouse processes, no wholesaler had ever considered transforming its operations through self-managed teams. Both philosophically and operationally, the idea of self-managed teams as a competitive differentiator was taking shape.

## Moving Forward

After dinner, Cohen agreed to help his youngest daughter decorate miniature pumpkins to place around the house in preparation for Halloween. The weekend would offer an opportunity to enjoy the last of autumn foliage in Vermont. Letting her take the lead on her project, Cohen let his mind wander.

Though he was uncertain about the details of implementing the self-managing team concept, Cohen felt he could not wait any longer. The volume of work handled at Brattleboro was at an all-time high. The warehouse was not operating the way it should; there were too many trainee selectors, too many supervisors, too many accidents, and too many newly hired employees leaving after only a few months on the job, and everyone was working too many hours. While the company managed to adequately service its customers, veteran and newly hired C&Sers were frustrated and unhappy, and absenteeism was on the rise. Productivity and quality were suffering. Cohen thought that maybe the introduction of self-managing teams could turn this situation around.

By Monday, Cohen needed to have a proposal ready that he could communicate to the other members of the management team about whether and how the company should proceed with respect to self-managed teams. Most important, he knew that the ultimate decision he would make over the next few days might lead to a companywide announcement to employees.

He wrestled with a few alternatives for turning what had simply been a novel idea into reality:

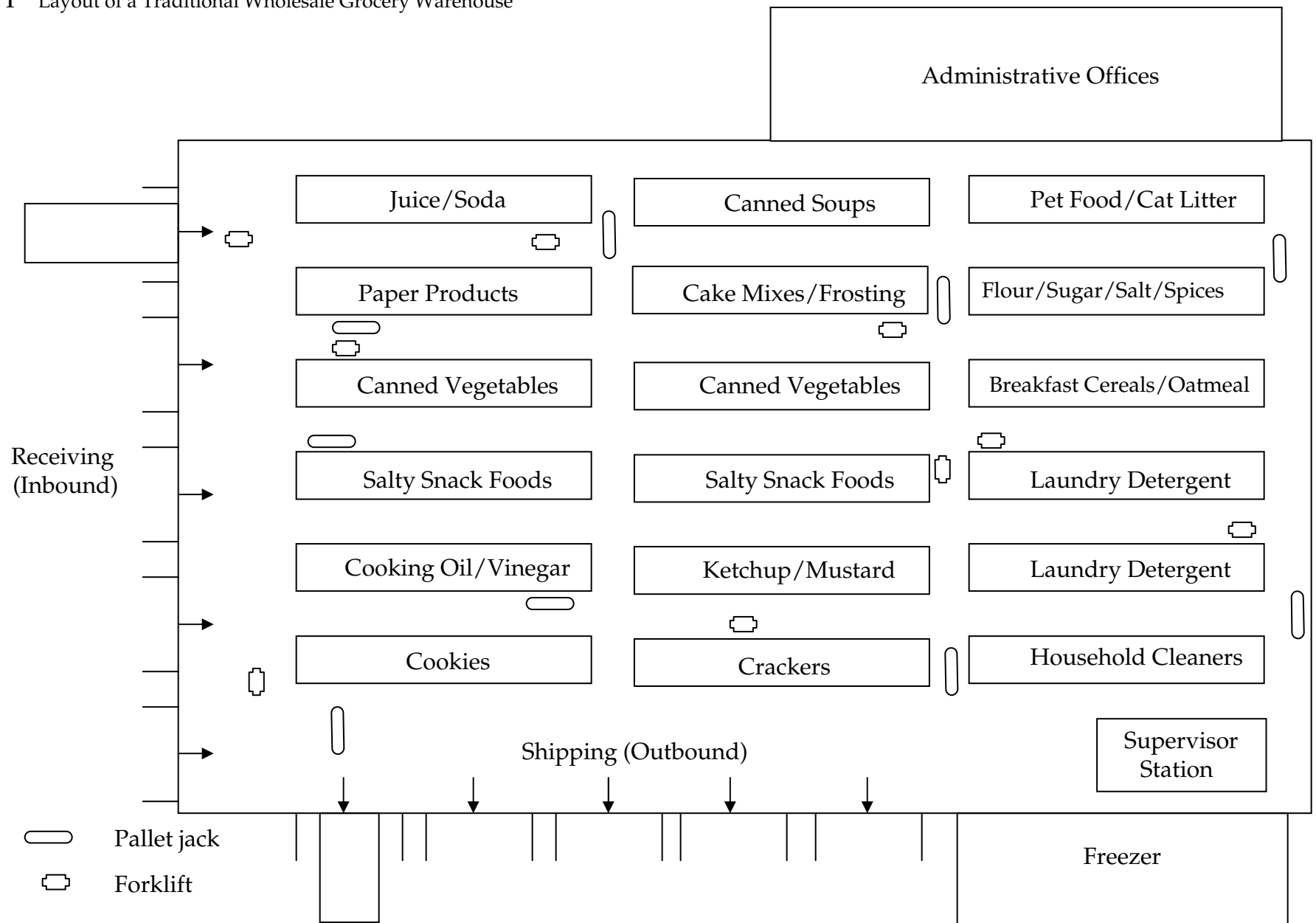
- If C&S launched self-managed teams at Brattleboro, should the experiment be limited to one shift? Or should it extend to all shifts? Alternatively, should participation in the experiment be limited to experienced employees or to junior employees, or should all employees be involved from the outset?
- Another idea was to try to have teams become completely cross-functional, wherein each member could perform a variety of tasks. Did this model even make sense to consider? Or should teams be organized by function? And how large should the teams be?

In addition to these concerns, Cohen worried about the fundamental migration to self-managed teams. The transition was unlikely to be immediate and seamless. Although his grandfather and father had largely relied on internal talent at C&S to implement change over the course of several

decades, Cohen wondered if a major organizational overhaul could be successfully completed without engaging a team of consultants over several months to plan and oversee the stages of change.

Decisiveness and commitment to choices made were strengths that had allowed Israel and Lester Cohen to propel C&S toward successes in the years before Cohen took charge. But he also reminded himself that the holiday season, C&S's busiest operational period, was only weeks away, and the Brattleboro facility would soon be tested to its limits. He asked himself: "Is this really the right time to introduce such a radical change?" Maybe it would be better to wait until the new year to begin a full-scale experiment with teams. But what did he need to do to hold things together through the increased workload demands of the holidays? There were no easy answers, but Cohen knew that he had to decide what to do now.

**Exhibit 1** Layout of a Traditional Wholesale Grocery Warehouse



Source: Casewriter.

**Exhibit 2** C&S Wholesale Grocers Headcount by Position

|                                  |     |            |
|----------------------------------|-----|------------|
| <b>WAREHOUSE EMPLOYEES</b>       |     | <b>690</b> |
| Selectors, Loaders, Shippers     | 500 |            |
| Forklift Operators               | 100 |            |
| Backhaul Unloaders               | 40  |            |
| Receivers and Clerks             | 20  |            |
| Supervisors and Managers         | 30  |            |
| <b>ADMINISTRATIVE STAFF</b>      |     | <b>120</b> |
| Finance                          | 40  |            |
| Human Resources                  | 10  |            |
| Sales                            | 15  |            |
| Procurement                      | 40  |            |
| Information Technology           | 15  |            |
| <b>VICE PRESIDENTS/PRESIDENT</b> |     | <b>12</b>  |
| <b>COMPANY TOTAL</b>             |     | <b>822</b> |

Source: C&amp;S Wholesale Grocers records.

**Exhibit 3** Tenure, Selected Wage and Productivity Measures at C&S Wholesale Grocers

| <b>Tenure</b>                     |  | <b>Percentage of Employees</b> |
|-----------------------------------|--|--------------------------------|
| Less than one year                |  | 50%                            |
| One to three years                |  | 25%                            |
| Greater than three years          |  | 25%                            |
| <b>Warehouse Position</b>         |  | <b>Average Hourly Wage</b>     |
| Selectors                         |  | \$11.50                        |
| Forklift operators                |  | \$13.50                        |
| <b>Productivity Measure</b>       |  |                                |
| Throughput (cases/hour /employee) |  | 94                             |
| Direct labor cost/case shipped    |  | \$.207                         |
| Cases shipped/direct labor hour   |  | 48.8                           |

Source: C&amp;S Wholesale Grocers records.