

Loose in the Foothills

by Bob Ring

Bashas' Survives Bankruptcy and Reinvents Itself

Last week I talked about the development and growth of Bashas' family-owned grocery business to become Arizona's third largest grocery chain. Today I'd like to talk about how Bashas' was caught in an over-expanded situation in a severe recession, having to declare bankruptcy and reinvent itself to face an uncertain future.

Things looked good for Bashas' in 2007, the 75th anniversary of the company's founding. With a peak of over 160 stores and more than 14,000 employees, Bashas' continued to plan future expansion of its primary formats (Bashas' groceries and Food City).

The company also began to explore smaller niche markets. Three new Bashas' formats are noteworthy: a prototype Ike's Farmers Market in Oro Valley, with a focus on natural foods; the purchase of three Sportsman's Fine Wines & Spirits stores in the Phoenix area; and Eddie's Country Store in Pinetop, with a deli and restaurant.

Bankruptcy

But Bashas' bubble was about to burst. The new-housing boom bust in Phoenix pulled the expansion "rug" out from under the company. Intense competition among Arizona grocers reduced Bashas' sales. Rising supplier costs for food staples and the costs to lease and cool thousands of square feet of storage, distribution, and retail facilities became prohibitive. The global credit crisis made securing low-rate loans much more difficult.

In July 2009 Bashas' filed for Chapter 11 bankruptcy protection with about \$300 million in debts.

Already started on tightening its corporate "belt," after filing for bankruptcy, Bashas' closed 30 underperforming stores, laid off more than 2,000 employees, slashed benefits, cut salaries, sold expensive assets such as airplanes, cut out a broad layer of middle management, renegotiated leases, and restructured its prices to make the chain more competitive.

Other actions also eased Bashas' passage through bankruptcy. In December 2009 Bashas' settled its four-year dispute with the United Food and Commercial Workers Union, halting Union efforts (at least temporarily) to unionize the chain of Basha outlets. Most importantly, over the year following the bankruptcy filing, Bashas' came up with a plan to repay the company's \$300 million in debts in installments over three years.

Bashas' rejected a takeover bid in February 2010 by smaller grocer Albertsons in favor of proceeding with their own recovery plan.

Surviving Bankruptcy

In August 2010 a federal bankruptcy judge approved Bashas' plan to emerge from bankruptcy protection. The judge recognized that Bashas' actions to streamline operations and reduce costs had led the company to become profitable again.

Bashas' exit from bankruptcy was unusual in two respects. First, it was achieved in only 13 months, a very short time for a transaction of this financial size and complexity. Secondly, it is very rare for the party emerging from bankruptcy to plan to pay off 100% of its debts – with interest.

Part of Bashas' successful turnaround can be attributed to loyal customers who went out of their way to shop at Bashas' to show their support during the bankruptcy period. These regular shoppers praised Bashas' home-grown family business, support to non-profits, and community efforts. There were even "I support Bashas'" campaigns in Phoenix, complete with fliers, billboard ads, and rallies. The three generations of the Basha family that have run Bashas' are matched by generations of loyal customers.

The New Bashas'

As reported in recent company statements, the "new" Bashas' now has 132 outlets and about 8,500 employees. Family patriarch Eddie Basha, Jr., 73, will continue as chairman for the present at a voluntary salary of \$1 per year until all Bashas' debts are paid.

Phoenix Magazine reported that Eddie Basha's cousin, Johnny Basha, at a recent Friends of Bashas' rally, said that the company likely will scale back on its charitable activities in the short run and build smaller markets oriented around more niche products. Of the three smaller market explorations begun before bankruptcy, the Sportsman's Fine Wines & Spirits stores in Phoenix and Eddie's Country Store in Pinetop are still open.

Bashas' will be operating in America's most competitive grocery market, under the lingering effects of the worst recession in decades. Giant merchandisers like Walmart and Target are now selling groceries. In fact, according to the *Arizona Republic*, Walmart - including its Supercenters, Neighborhood Markets, Marketside stores and Mercado de Walmart Latin markets – is currently Arizona's grocery market share leader, with Fry's second, and Bashas' third. Other large grocery chains like Safeway and Albertsons plus smaller grocers like Sprouts, Trader Joe's, Sunflower Farmers Market, and Whole Foods add to the competition.

Bashas' employees are certainly key to the "new" Bashas' survival. They remember the "good old days" when, as a friend of mine who has worked at a Phoenix Bashas' as a cashier for many years fondly recalls, "we were treated the best in the grocery business." Employees also speak highly of the old family atmosphere and proudly recognize Bashas' service to Arizona's Native American and Hispanic populations.

Besides doing better financially, Bashas' is going to have to work its way back to the congenial family atmosphere and dedicated community service that differentiates the company from its more impersonal competition. The company must also find a way to solve the unionization problem that will surely confront them again in the future.

I for one, am rooting for Bashas' success! For years Pat and I have been regular shoppers at the Bashas' market at 6900 East Sunrise Drive. Sales and coupons sometimes attract us to most of the other grocery chains too, but we always return to Bashas' and think of them as our home grocery. One year we even ordered a delicious Thanksgiving dinner-to-go from Bashas'.

We appreciate the friendly and helpful employees and their oft-expressed, "Thank you for supporting Bashas'" We want to continue to support Arizona's only locally-owned grocery chain.

Sources: Arizona Local News, azcentral.com; Bashas' History, bashas.com; Bashas' Company Profile, referenceforbusiness.com; Wikipedia.com; Bashas' 75th Anniversary DVD; Bashas' Public Relations Department; *Arizona Daily Star*; *Arizona Republic*; *Phoenix Magazine*.



This Bashas' grocery at 6900 East Sunrise Drive is the anchor store of the Ventana Village Shopping Center. (Courtesy of Bob Ring



This AJ's Fine Foods store at La Encantada Shopping Center is the only AJ's outlet in Tucson. (Courtesy of Bob Ring)