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Israel Cohen, C&S's first CEO, began his career in the wholesale grocery business in the early part of the last century. Working in Worcester, Massachusetts for \$25 a week, Israel reasoned that he could make a greater profit and provide better service on his own. With the help of business partner, Abraham Siegel, C & S Wholesale Grocers, Inc. was founded in 1918.

The warehouse was a 5,000 sq. ft., three story facility located on Winter Street in Worcester. Here, three warehouse workers attended to 1,200 grocery products.



**The first C&S Warehouse**  
Winter Street, Worcester, MA

Competition was fierce in the wholesale industry. Growing urban populations were demanding more from their tiny neighborhood stores while an economic war was threatening to permanently change food distribution.

Many independent grocers were serviced by several different wholesale companies, resulting in fragmentation and inefficiency. Most orders were small to begin with, and the division among the wholesalers decreased order size even more. The average wholesaler served hundreds of tiny retail customers using multiple copies of buying orders to price, extend credit, bill, select and deliver products.

In 1933, for example, US wholesalers received 12% of their orders from retail stores whose annual volume was under \$10,000 and 87% from stores which averaged \$32,960 in annual sales. Average gross margins of all wholesale grocers at this time were about 11% of wholesale value.

Following World War I, independent retailers began to band together, forming cooperatives. These cooperatives increased buying power and gave wholesalers the ability to share large orders and, consequently, benefit from the economics of scale.

### A Company History



**Brattleboro Headquarters**

Disaster struck in 1929 when the Blackstone River flooded, putting the C&S warehouse underwater and soaking almost all of its inventory.

Israel's son, Lester, vividly recalls the episode. Five years old at the time, he and his mother were vacationing at the beach when his father called to tell them that there had been a flood. The family rushed back to Worcester to help with the cleanup. Despite the flood, C&S managed to survive, and Israel soon moved the company to a larger, drier facility on Hygeia Street in 1930.

The Hygeia warehouse was twice the size of the Winter Street facility. However, the wholesale structure made it difficult to manage.



**The Hygeia Street Warehouse**

Through innovation and customer service, C&S continued to grow. Faster warehouse practices made it easier for C&S to respond to customer needs. In addition to speed, C&S maintained a tremendous amount of respect for its customers and were always willing to help in any way. Israel learned early on that without the customer, there would be no C&S.

Other wholesaler's methods of doing business with their customers included bullying their way into their customer's stores and stocking the shelves as they wished. C&S, on the other hand, took the time to talk with the client, listen to the client's stocking ideas and concerns, and maintain a polite and professional attitude while in the client's store.

Slowly, C&S's customer service reputation began to spread, increasing the number of customers the company serviced. Profits continued to grow.

During World War II, Israel's son, Lester, served as a B-24 navigator in the Pacific. From this experience, Lester saw an opportunity for C&S to work with the commissaries on military bases. Upon returning to the United States, he pursued this line of business and won C&S several US commissary contracts. Today, C&S services 27 military bases in New England and the East Coast. They are striving to soon be the largest wholesaler supplier to military bases in the entire Northeast.



**Millbrook Street Warehouse**

Lester went to work at C&S shortly after returning from the war and quickly developed an affinity for the wholesale business. At this time the wholesale industry was changing rapidly. Co-ops had become well established, and manufacturers began recognizing the power of associations such as the National Retailer-Owned Grocers (NROG).

C&S, unlike many other wholesalers, resisted going into retail. Instead, they preferred to focus on their distribution and warehousing services.

It was in this area that Lester discovered the same knack for innovation that set his father apart from other wholesale grocers. During his sales calls, he had seen other companies using a roller system to move grocery boxes through the warehouse. This system was faster than his father's two-wheeled carts. Intrigued by their speed and efficiency, Lester wanted to install the same type of system at C&S. Israel thought the idea was ridiculous, but gave his son \$200 to purchase the rollers anyway.

Soon, the entire warehouse was operating with the roller system, and even Israel was impressed with the new method. The rollers saved time, and the new efficiency gave C&S a delivery advantage. The result was a growing customer base.

*(Continued on the other side)*



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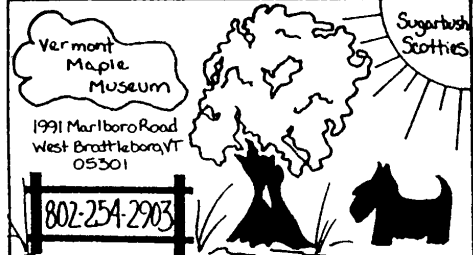
# C & S Wholesale Grocers, Inc.

## Good Food to Good People

### A Company History

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(Continued from the other side) Another innovation occurred when Israel attended a wholesales' convention. A friend showed him that he manned his delivery trucks with just one person. Until now, the industrial norm had been to man delivery trucks with a team: one driver and one salesman. Israel's friend, however, manned his trucks with just one employee: a driver who was also a salesman. What seems a simple solution today was revolutionary at that time. Israel soon cut his delivery costs to nearly half of their previous figures by manning his trucks with the more efficient one driver/salesman method.

In 1955, C&S, a successful mid-sized wholesale company, was ready for another move. This time it was to a 35,000 sq. ft. facility on Millbrook Street. Lester enjoyed the business and was now working with his father full time. A born salesman, Lester was soon "pounding the pavement," calling on thirty small grocers a day and returning to visit each one weekly. He worked hard at sales, and his perseverance paid off; C&S had more business than ever. Israel saw that his son had the talent to take C&S to the next level and in the 1950's passed the company on to Lester.

C&S traditionally supplied independent grocers operating single stores or small groups of stores.

The pivotal moment in the history of C&S came in 1958 when C&S won the Big D supermarkets account. Big D, with eight stores, was ahead of its time and a leader in the industry, for it signaled the transition from small independent stores to supermarket chains. When other supermarkets learned that the Big D was working with C&S, they too looked to C&S to service their distribution.

C&S began focusing on the acquisition of larger supermarket accounts, and sales soon reached \$2 million.

After just eight years at Millbrook Street, C&S needed more warehouse space and moved to a 200,000 sq. ft. facility on Pullman Street in 1963 - the home of the famous Pullman train cars. Here, innovation paid off again, and the Pullman Street warehouse was soon equipped with a truck loading dock and a train loading dock, bridging the two adjacent warehouses.



The Pullman Street Warehouse

By the mid 1960's, three factors had dramatically altered the role of the wholesaler:

- 1) Small retailers began to follow Big D's lead, opening multiple retail store locations. By the 1970's many retailers operated eleven or more stores, which became known as supermarket chains.
- 2) As supermarket chains grew, they needed to be located greater distances from each other in order not to compete for the same customers.
- 3) As a result of this, many chains consolidated and closed their inefficient and outdated warehouses.



Windsor Locks, Connecticut

This suddenly generated tremendous opportunities for wholesalers to provide buying, warehousing, and distribution services to the growing supermarket chains.

When Lester's son Rick came on board in 1974, C&S had grown to annual sales of \$14 million. Further growth was severely hindered, however, by the lack of a modern warehouse facility. The Pullman Street warehouse was now over one hundred years old and lacked the design structure necessary to satisfy modern food wholesaling techniques. Ceilings were too low and could not efficiently accommodate the growth that C&S hoped to achieve.

C&S now faced a difficult situation: to serve the large supermarkets, they needed modern warehouse facilities. To afford a modern warehouse facility, they needed large supermarket contracts. The outdated Pullman Street facility, however, could not service the large contracts, and so a tough decision needed to be made.

Much to his father's surprise, Rick determined that the business must move west. C&S needed a larger location with better access to interstate highways, a good work force, and new markets, in order to survive in the shrinking wholesale industry. Rick also developed the company's unique strategy of supplying mostly large supermarket chains. Today, C&S can supply chains at a lower cost than the chain could supply itself.



To support the new strategy, C&S built a 300,000 sq. ft. warehouse and distribution complex in Brattleboro, Vermont in 1981. The move came at an exciting, but challenging time for the company. The new space was more than three times the size of the Pullman Street and had been costly to build.

Employees were asked to take pay cuts, and everyone worked together to keep the business running. The goal was to reach \$300 million

in sales in the next five years, though many doubted that C&S would even make it to see the next two years. Rick's calculations proved correct. A&P supermarkets, who previously believed that C&S did not have the capacity to meet their needs while in the Pullman Street locations, were impressed with the new, modern Brattleboro facility and soon gave C&S their business. Other large supermarkets such as Edward's, Waldbaum's and Stop&Shop quickly followed suit.

Earnings rose, and employees were soon making even more than they had before the pay cuts.

Innovation pushed C&S ahead again. Responding to employee suggestions, Rick introduced self-managed teams in the warehouse facilities in 1988. Organized into teams, workers determined their own earnings on a "piece-rate incentive." The more a team member picked, the more the whole team earned. A special "quality bonus" was added for correctly selected cases.

The program proved to be a huge success. In the first six months, the total volume shipped increased by 35%, while total labor costs declined more than 20%. Not wanting to let their teams down, absenteeism fell to below 3%, and one out of every seven warehouse employees had perfect attendance. Today, 75% of the employees at C&S are either on incentives or part of a self-managing team.

As warehouse skills grew, C&S ambitiously pursued new clients. During the first ten years in Vermont, C&S surpassed their \$300 million goal and grew to one billion dollars in annual sales. By now, Lester had retired, and Rick assumed the position of the third generation C&S CEO. The company flourished under his leadership.

To accommodate increasing business, C&S purchased a 350,000 sq. ft. South Hatfield, MA warehouse in 1993. The next year, C&S moved the perishables operation from Vermont to the 445,000 sq. ft. facility in North Hatfield. Then, in 1996, the company began operations in Connecticut at their largest facility: the 1 million sq. ft Windsor Locks warehouse.

Since 1996, C&S has been owner of what could become the world's largest freezer. The Westfield freezer facility is now 15 million cubic feet at Phase 1 and can grow to be 22.7 million cubic feet. The world's largest freezer to date is 16 million cubic feet.

C&S Wholesale Grocers is the largest wholesaler in New England




and the third largest in the United States.

Forbes magazine ranked C&S as the 14th largest privately held corporation in the country in its 2001 issue. Annual sales will top \$11 billion in 2002, and a work force will number over 8,000. Over 53,000 food and non-food items will be purchased for C&S's 5,000 retail customers.

Were Israel Cohen here today, he would most certainly be proud to see that the little business he founded in 1918 has truly become, in the words of Ken Blanchard, "a leading edge company."

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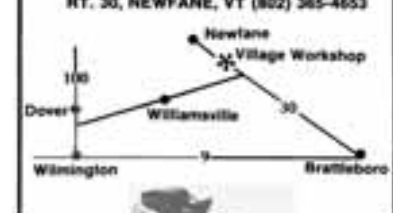
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