



PRESIDENT'S MESSAGE

CALIFORNIA'S GOLD MOUNTAIN



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DESPITE A NUMBER OF SIGNIFICANT CHALLENGES FACING CALIFORNIA'S GROCERY INDUSTRY, NEW PLAYERS CONTINUE TO ENTER THE GOLDEN STATE MARKET.

When I was a boy, my grandfather would tell me that his ancestors called California “gold mountain,” the land of opportunity. They literally believed the Sierra Nevada mountains were laden with gold and anybody willing to work hard and mine the mountain could be rich.

I think the same could be said about our industry here in the Golden State.

About a year ago, the Los Angeles Times featured this headline “California is a magnet – and a graveyard for supermarkets.” Perhaps you read the article.

If one Googles “Southern California grocery market” they would find words like “cutthroat,” “war,” and “battle.” Not too encouraging for any grocer thinking of entering this highly competitive market. And yet as we all know, several large retailers are aggressively entering California's highly competitive, highly regulated marketplace.

All of this makes me think of the “New York, New York” the theme song from the movie by the same name and originally sung by Liza Minnelli but made famous by Frank Sinatra.

“If I can make it there, I'll make it anywhere...”

What is it that lures grocery retailers to such a fiercely competitive market? Perhaps it's the fact that California ranks No. 1 in population (we are nearing 40 million), which translates into an enormous amount of business. In Southern California, the answer is simple – \$45 billion in annual sales, making it the largest grocery market in the United States. And not too far behind is the San Francisco Bay Area.

Or perhaps it's our tremendous diversity (it is a minority-majority state), which is drawing attention from more diverse retailers.

And what's surprising is the growth taking place despite the fact that California constantly ranks at the bottom of states considered “business friendly.”

Consider the decisions our elected officials have made in just the past few years – minimum wage and grocery worker retention to name just a few. Why would any company want to come here?

Recent reports reveal that our industry has marginally declined over the past five years for a plethora of reasons. Yet, in today's world of mergers and acquisitions (of which California certainly is not immune), government over regulation, and accelerated competition from non-traditional retailers, the Golden State remains somewhat of an anomaly.

I think in many ways my ancestors were right about California. It is a “gold mountain” where – if you work hard and make it here you can, like Mr. Sinatra crooned, make it anywhere. It's up to you! ■