Letter from the President:

The face of Certified has changed significantly in 75 years, as have the faces of the thousands of employees who have made careers at Certified in that time. Throughout the decades, the driving force behind the company never wavered — ensuring the success of the independent grocer. In return, independent retailers helped Certified grow through partnership, expertise and loyalty.

As a team dedicated to serving the needs of consumers, Certified and independent retailers have for more than seven decades developed new programs, implemented new ideas and used the latest technologies to be successful in an increasingly competitive marketplace.

I am proud to be serving as your president and chief executive officer during such an important time in Certified’s history. With immutable drive and spirit, the independent retailer has established a permanent place in the history of grocery retailing. On behalf of everyone at Certified, thank you for the opportunity to serve as your partner on this 75-year journey. We look forward to continuing our successful partnership in the years ahead.

Alfred A. Plamann
President and Chief Executive Officer
In the 1920s, California neighborhoods were typically served by a small grocery store such as the one shown here. The small stores carried a limited amount of dry groceries and staples. To get fresh produce, meat, baked goods and dairy products, shoppers had to make separate trips to a produce market, butcher shop and other specialty retailers.
The ‘20s: A Clean Start

It began with soap.

In the fall of 1922, 15 independent grocers from Southern California got together at the Hotel Green in Pasadena to solve a problem: How to beat a new and growing form of competition — the chain store — at its own game.

Their solution? Partnership. The 15 grocers concluded that by combining their talents and pooling their resources, they would be on the same playing field as the chains. The grocers paid $50 each as a membership fee, giving them the right to make purchases from their new cooperative.
A few months later, the cooperative made its first purchase — a carload of soap. And because the organization had no warehouse or office space at the time, the 15 members divided their purchase in a rail yard.

To a certain extent, Certified Grocers became “official” with the election of the company’s first Board of Directors in early 1923. Fifteen directors were elected to represent the growing number of members in the new cooperative.

Led by President William E. Lind, the Board of Directors conducted its first meeting in February 1923. Among its first decisions was to establish a business office at 2472 Hunter Street in Los Angeles. Nicknamed the “wareroom,” the Hunter Street facility was used more for storage than office space.

And it was used often. By the end of 1923, volume for the company totaled $250,000. As the volume grew, storage space shrank.

By 1925, it was apparent that the “wareroom” could no longer meet the demands of Certified’s members. The board decided to rent the cooperative’s first warehouse at 2132 Sacramento Street in Los Angeles. On two consecutive Sundays in November 1925, the young company moved its office equipment and inventory from the Hunter Street office to the Sacramento Street warehouse.

*The Sacramento Street warehouse as seen today.*
A few months earlier, the company had incorporated under its present name, Certified Grocers of California, Ltd. Common stock was issued to each of Certified’s members, who at the time numbered 50.

That number declined slightly in 1926. At the same time, financial obligations mounted. Facing these challenges, Certified’s directors decided to elect one of their own, Clayton Whiteman, to serve as the company’s first full-time manager.

It proved to be a wise decision. During his 1926-1945 tenure as the company’s chief administrator, Whiteman steered Certified from turbulence to triumph. Considered the “father” of Certified Grocers, Whiteman established policies and principles still followed today at Certified.

Early in Whiteman’s tenure, Certified took a major step by merging in 1928 with Co-Operative Grocers, another small retailer-owned wholesaler. That year, Certified’s sales volume exceeded $1 million, almost three times greater than the sales volume for 1926.

And the growth continued. By the end of 1929, Certified’s sales volume rose to $2.7 million. Along the way, the company purchased the stock and equity of the Walker Brothers Grocery Co. and obtained a five-year lease on the Walker warehouse at 4th and Anderson streets in Los Angeles.
The ‘30s: A New Vision

The early 1930s marked the birth of a new — and what would prove to be a lasting — force in the grocery business: the supermarket. The earliest supermarkets were basic. Many were converted warehouses, garages and even roller skating rinks. But with the nation clutched in the Great Depression, supermarkets quickly became popular with consumers who liked the idea of finding everything they needed under one roof.

Though some retailers originally scoffed at supermarkets — labeling them “a passing trend” — Certified had a different vision. As the grocery business evolved from predominantly small, limited-line stores to huge outlets carrying seemingly endless varieties of dry groceries, Certified embraced the change and decided to grow along with it.

Realizing that its 4th and Anderson warehouse would soon be unable to meet the demands of the supermarket-oriented food industry, Certified ordered the construction of a new warehouse at 4455 Fruitland Avenue in 1931. The company moved into the two-story, 62,000 square-foot warehouse the following year.

In what was now a routine for the company, Certified quickly outgrew the space. Additions were constructed and by 1938, the Fruitland Avenue warehouse had grown by approximately 150 percent — to 150,000 square feet.

At the same time, total sales exceeded $10 million and membership increased to 310 retailers operating 380 stores.

The growth continued in 1939, with sales volume soaring past $20 million and membership reaching 586 retailers operating 750 stores.
Pronounced “SARAH” News, this Certified newsletter was published monthly to promote a better understanding among the employees, to air views and exchange news.
The ‘40s: Rationing and Retailing

The beginning of World War II saw the fierce competition within the food industry subside, as grocers — independents and chains alike — joined to meet wartime needs.

During the war, Certified instituted procedures to help the nation conserve resources for the war effort. Many of the policies were those of Clayton Whiteman, who became the company’s president in 1945. Campbell Stewart assumed Whiteman’s previous job as manager.

Under the guidance of these two executives, the company earned a reputation for integrity, which in large part created a deluge of membership requests after the war.

As membership grew, so did grocery orders. To keep up, Certified began construction of a 277,000 square-foot facility at Eastern Avenue in Commerce in April 1947. By September, the facility’s distribution center was open. Two months later, its offices were in use and by early 1948, the Eastern Avenue facility was fully operational.

The first section of the Eastern Avenue distribution center.
Because it was the year that construction of the distribution center on Eastern Avenue began, 1947 was an important year for Certified. That same year, the company also introduced its Springfield line of quality private label products.

Just months after they were introduced, the Springfield products — June peas, green beans, tomatoes, whole kernel corn, cream style corn, sliced peaches, pear halves, tomato sauce, tomato juice and tomato ketchup — rang up $223,000 in sales at member stores.

The success of the Springfield label would continue unabated through its 50th birthday in 1997.

After introducing Springfield, Certified further diversified its grocery lines the next year by establishing a Frozen Food Division.

The Frozen Food Division played a key role in the continued growth of Certified, which saw its volume exceed $100 million and membership top 1,000 in 1949.

“The Springfield label is the most recognized private label in the state of California. It’s been such a successful brand for so long because consumers count on Springfield products for high quality at a reasonable price.”

— Jim Hambleton
Manager, Special Projects
The ‘50s: Product Diversification

One-stop shopping was the desire of the American consumer in the 1950s. And as the phenomenon evolved, so did the way Certified conducted business.

In 1951, Certified diversified its dry grocery and frozen product lines by launching its General Merchandise Division, then known as the Health and Beauty Aids Department. It was the company's first foray into non-food distribution.

Later that same year, Certified purchased Gross Systems, Inc., a trucking company that had been making deliveries to Certified's members since 1927. The purchase yielded about 140 pieces of equipment, including 50 tractors and trailers. With this fleet, Certified delivered about three-fourths of its customers' orders, with the remaining 25 percent picked up by the members themselves.

Originally called the Health and Beauty Aids Department, Certified’s General Merchandise Division was created in 1951 to offer the company’s retail members a wide variety of non-food products.

In 1951, Certified Grocers purchased Gross Systems, Inc., a trucking company that had provided delivery service to Certified's retail members since 1927. The drivers shown here stand by one of 50 tractor/trailers that Certified acquired in the purchase.
The year 1951 also saw the opening of Certified’s coffee and bean processing facility and the introduction of private label bag coffee items.

Certified’s growth did not go unnoticed. The company was singled out in “The Path to Profit,” a book by Gordon Cook, editor of the Self-Service Grocer. He wrote:

“To further diversify its product offerings, Certified opened its Delicatessen Division in 1956, marking the first complete deli program ever offered by a retailer-owned organization.

“The best operated grocery distribution organization in the world is Certified Grocers of California, Ltd., Los Angeles, California. The warehouse of this retailer-owned group a little over two decades ago had an annual volume of between $200,000 and $300,000. Today the organization has the largest grocery warehouse in the world, with the lowest operating cost of any grocery warehouse in the world, and an annual volume through the single warehouse in excess of $100,000,000.”

In 1952, Certified’s truck drivers delivered 16,733 loads of merchandise, totaling 262,000 tons.

Fifty closed-van trailers were added to Certified’s fleet in 1953, when the company’s drivers logged well over 1 million miles, hauling 18,132 loads for a total of 276,000 tons. While the fleet grew, so did the company’s sales volume, which eclipsed $166 million at the end of 1953.

To further diversify its product offerings, Certified opened its Delicatessen Division in 1956, marking the first complete deli program ever offered by a retailer-owned organization.

The Deli Division grew rapidly. At the end of its first fiscal year, the division racked up more than $7 million in sales volume.
To keep pace with its exponential sales growth and ever-widening array of products, Certified installed an electronic data processing system (EDP) for order processing in 1956. In doing so, Certified was one of the first food distributors in the nation to use EDP.

Certified’s growth rate intensified in 1957, when the company acquired its first subsidiary, Spartan Grocers of Torrance, Calif. Founded in 1915, Spartan had 1,000 members operating 1,087 stores when Certified acquired it.

Like Certified, Spartan was a retailer-owned wholesaler. But unlike Certified, Spartan handled only dry grocery products. With the acquisition, Spartan’s members could receive the same broad range of products as their Certified counterparts.

Continued expansion led Certified to construct its first dry grocery branch warehouse in the San Fernando Valley. Completed in 1957, the 340,000 square-foot facility was designed primarily to serve Certified’s customers in the northern suburbs of Los Angeles.

San Fernando Valley warehouse.
The ’60s: Building and Buildings
Certified Grocers entered the 1960s with 1,600 member stores, more than 1,000 employees and an annual sales volume exceeding $300 million. By the end of the decade, the company would have nearly $700 million in sales volume, 1,900 employees and more than 2,000 member stores. A lot happened along the way.

In 1960, J. Murray Yunker was named executive vice president of Certified. As such, he assumed many of the administrative duties of general manager Campbell Stewart. When Stewart retired the following year, Yunker was elected Certified’s president and chief executive officer. In the 15 years that Stewart served in that position, the company’s annual sales volume grew from $53 million to $300 million, member stores increased from 900 to 1,600 and employee strength swelled from 235 to more than 1,000.

Certified’s dramatic growth was paralleled by the rapid increase of Southern California’s population, which grew from around 5 million in 1950 to more than 9 million in 1960. As their numbers increased, Southern Californians demanded better quality and service from retailers. Grocers responded by designing and equipping their stores to efficiently handle their customers’ needs.

To help independent grocery members meet these demands, Certified established the Grocers Equipment Company in 1963. With GEC, Certified’s second wholly-owned subsidiary, the company pumped more than $1 million into equipment, layout, planning and merchandising for its members during the year.
The year 1963 also saw Certified establish its fifth operating division, the Ice Cream Division, which allowed the members to meet — and often beat — their chain store competitors on ice cream prices.

The following year, Certified acquired the privately-owned Grocers and Merchants Insurance Service, which had been a tenant in Certified's Eastern Avenue facility since its opening in 1947. As Certified’s third subsidiary, GMIS gave members a comprehensive package of insurance and related services at competitive prices.

Following an exhaustive, three and a half-year study examining its customers’ existing and future meat distribution needs, Certified broke ground in Vernon on a $2.5 million, 76,000 square-foot Meat Distribution Center in March 1965. The center opened a year
later with a 14-store “shakedown” test. Originally, 50 employees staffed the center. That number doubled quickly, and by the end of the year, the center’s weekly capacity was 2.5 million pounds of meat.

By the end of 1966, Certified’s companywide sales volume was nearing $400 million. And the company’s retail membership had climbed to 1,722 stores.

This continued growth was the impetus for construction of Certified’s second dry grocery branch warehouse. The 360,000 square-foot warehouse opened in 1967 in Corona. With its completion, Certified’s combined distribution facilities were about 1.8 million square feet, including the San Fernando Dry Grocery Warehouse, the headquarters facility and three facilities in Vernon — the Meat Distribution Center, the non-foods warehouse and affiliated Spartan Grocers, Inc.

When Certified’s sales volume exceeded $500 million in 1968, the Board of Directors scheduled its first planning conference to examine the future needs of its membership.

Those needs were at least temporarily addressed in 1969, when Certified expanded and remodeled its existing facilities on Eastern Avenue. The project included construction of a three-story office complex.
During construction of the Mech, Certified’s Board of Directors inspects the automatic “Order Sorta-
The ‘70s: Manufacturing/Steady Growth
Following a decade of remarkable expansion, Certified marked the start of the 1970s in similar fashion. In April 1970, the company began construction of a 138,250 square-foot frozen food and delicatessen center in Santa Fe Springs. With its completion in December, Certified’s total facilities exceeded 2.15 million square feet.

Meanwhile, Certified introduced a new private label, Gingham, to complement its Spring-field line of quality products, which received a packaging facelift at the same time.

Though a relatively common occurrence in California, earthquakes occasionally merit more than passing attention. One such quake rocked the San Fernando Valley on Feb. 9, 1971. Only six miles from the epicenter, Certified’s San Fernando warehouse was hit hard — but not knocked out — by the quake. Operations at San Fernando plant were halted for three weeks.

Certified Grocers of California, Ltd. celebrated its 50th anniversary in 1972. A company that originally was without warehouse space and boasted only 15 members, now had grown to $700 million, 972 employees and 867 members.

Earthquake damage to San Fernando warehouse.
...that per year, Certified’s warehouses ship nearly 200 million cases of product? Of that amount, the Dairy Division ships 55 million cases, followed by the Mech warehouse at 40 million cases; the Bakery Division (32 million); Stockton (27 million); SFS (20 million); Fresno (18 million); and GSC (7 million).

Certified's golden anniversary year also marked the beginning of its Food Service Division. With a one-man staff, the division shipped fresh meat cuts not normally sold at market level to members with fast-food operations. Growing to include a staff of a manager, 11 division employees and six warehousemen, the Food Service Division accounted for $3.5 million in sales volume during its initial year.

At the close of 1973, Certified had 915 retail members and revenues of almost $800 million.

In 1973, Murray Yunker announced his retirement, marking the end of a 39-year career with the company. With that announcement, the Board of Directors named Randolph Price company president and Yunker as corporate chairman.

During Yunker's presidency, Certified’s volume had soared from $294 to $790 million. Along the way, the company built three distribution centers — the meat distribution center, the Corona warehouse and the frozen foods/deli distribution center in Santa Fe Springs — and leased three others — for general merchandise, central warehouse and produce.

Fiscal Year 1973 marked the birth of Certified’s Produce Division. Growing from a modest customer base of 12 stores to nearly 100 stores in its first year, the division yielded close to $5 million in sales volume that year. The division's success was credited to price, selection, freshness, quality and diversity.
Born that same year was the company’s Retail Operations Assistance Program. Certified’s annual report for 1973 describes the new program:

“At the request of any member, the staff of the Retail Operations Assistance Department will begin a thorough, all-encompassing study and analysis of a member’s operation, at a nominal cost to the member. In minute detail, the following areas are examined: site location analysis, store image, employee relations, grocery merchandising, the meat, deli and frozen foods departments, general merchandise and produce, overall physical layout and its merchandising advantages or disadvantages, competitive shopping and pricing reports, advertising, promotional allowances and rebates, accounting systems, payroll analysis and store security. Almost nothing is left uninvestigated.”

Members who took advantage of Certified’s Retail Operations Assistance Program during its inaugural year reported increases in sales ranging from 12 percent to 67 percent.

Though inflation was up and national productivity was down in 1974, Certified weathered these adverse economic conditions and reported $835 million in sales for the company and its three subsidiaries.

Certified entered the bread and dairy business in 1974 by acquiring the Gordon Bread Company in June and the Golden Pride Creamery in September. Certified President Randolph Price noted these acquisitions in his 1974 “Message to the Membership.”

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**From 1974 “Message to the Membership”**

“We are now doing what the chains are doing. And this is our philosophy in all of our actions — what the chains do, we must do. What they are good at, we must be better at. When marketing imbalances are a ‘way of life,’ Certified cannot stand idly by and accept this. We must make the moves to correct these injustices in marketing with the sole aim of enabling you to be as competitive with the national chains as possible.”

— Certified President, Randolph Price
Certified's Springfield label made a strong case for being considered a regional brand name after a 1974 advertising campaign more than doubled sales of products from the year before.

In 1974, the Universal Product Code (UPC) had been adopted by about 50 percent of the nation’s supermarkets and Certified’s members were among the first to utilize it.

Larger than many private line carriers, Certified's transportation fleet had grown to 325 tractors and more than 600 trailers in 1974, while 300 Certified drivers logged 11 million road miles.

Economic conditions improved in the nation and at Certified in 1975, when the company posted $962.1 million in sales volume. Sales were particularly swift in Northern California and in the company’s Produce, Dairy, Food Service and Bakery divisions.

In addition to sales success, the company’s Dairy Division garnered awards. At the 1975 Los Angeles County Fair, judges presented the division with six gold medals for product excellence in homogenized milk, half and half, lowfat, nonfat and extra-rich milk, and chocolate ice cream.

More than 20 new items were introduced by Certified’s Bakery Division in 1975, including brown ‘n’ serve rolls, hot breads, fruit shells and specialty and variety breads. Plans were underway to launch additional bakery items, including doughnuts and fruit-filled luncheon pies.
Fiscal 1975 marked the 50th anniversary of Grocers and Merchants Insurance Service, owned by Certified since 1964. GMIS posted $6.1 million in sales in its golden anniversary year.

Described by company President Randolph Price as “unquestionably the most trying year in recent decades,” 1976 saw Certified “hold its own” in all areas of operation. Sales volume topped off at $995.7 million. A concerted price war with national chains kept the company from surpassing the billion-dollar sales mark in 1976.

That threshold was crossed in 1977, when Certified recorded more than $1 billion in sales volume. That same year, Executive Vice President William O. Christy was promoted to president and chief executive officer of the company.

In 1978, with sales volume climbing to $1.2 billion, Certified made plans to construct a 635,000 square-foot mechanized distribution center. Though it was not scheduled to be completed until at least 1980, the project reflected Certified's commitment to keep its operations as efficient as possible for its members and customers.

Did you know...

...that Certified’s Transportation Division shipped 13 million gallons of fluid dairy products and 3.7 million gallons of ice cream in 1996?

Certified’s executives, along with a special guest from a galaxy far, far away, were on hand at the 1978 ground-breaking for the company’s 635,000 square-foot Mechanized Distribution Center in Commerce. Known as the “Mech Warehouse,” the state-of-the-art facility was completed in 1980.
“This mechanized facility is a major investment in each member’s future,” said President Christy. “It will pay back big dividends only through a truly cooperative effort.”

The year 1978 also saw the launch of an intensive outdoor advertising campaign for the Springfield line of products. Individually-painted billboards were rotated monthly throughout Certified’s primary trading area, reaching more than 90 percent of all marketplace adults 35 times a year.

In 1979, Certified introduced its “Engineered Standards” employee work incentive program, offering extra pay and/or time off for production output that exceeded standards. In addition to improving the bottom line for Certified and its customers, the Engineered Standards sharply boosted production levels, cut absenteeism and hiked employee morale. The revolutionary program drew national attention, including a report on CBS News by anchorman Dan Rather and a front-page story in the Los Angeles Times.

Certified has used billboards to promote Springfield’s high quality products within the community — most recently to celebrate the company’s 75th anniversary.
Media Coverage

As a “behind the scenes” company, Certified Grocers of California hasn’t always garnered the media attention that organizations of comparative size have. But after Certified launched its revolutionary “Engineered Standards” employee work-incentive program in 1979, the company found itself in the national media spotlight. The Engineered Standards program rewarded Certified’s workers — normally with extra pay or time off — for producing above and beyond what was considered the “normal” production level. The innovative program, which boosted Certified’s warehouse productivity by more than 20 percent only months after it was instituted, drew nationwide attention in the media, the public and the grocery industry.

And the *Los Angeles Times* ran a lengthy, front-page story about the program under the headline “Job Incentive Plan Boosts Productivity: Bonuses of Time and Money Build Profits in Grocery Industry.”

According to the March 5, 1982, *Times* story, the rest of the nation’s productivity was slumping badly, but Certified was steadily increasing its productivity rates.

“The new system is working so well that grocery industry leaders are visiting Southern California to get a first-hand look at the methods that seem to make just about everybody happy,” the story said.

A union spokesman described the program as “an excellent example of imaginative labor-management cooperation that directly involves the workers themselves in planning and improving their work lives.”

Certified closed out the 1970s with $1.35 billion in volume.
The ‘80s: Efficiency Experts

Though always a hallmark of Certified Grocers, efficiency took a major step forward during the 1980s. This was perhaps best demonstrated with the completion of the Mechanized Warehouse in late 1980.

In the company’s annual report for 1981, Certified President William Christy wrote:

“Before this warehouse began operating, and for a while afterwards, some of our members expressed concern over individual problems they thought it was going to cause them. We held several meetings with those members to lay any concerns to rest. We did lay them to rest; for those members now tell us that the new warehouse far exceeded their most optimistic expectations. Frankly, it has exceeded ours, too! We expected it to demonstrate improved efficiency and economy, but not as quickly and dramatically as it has. In 1980 — the last year before the Mech Warehouse opened up — warehousing costs at Eastern Avenue amounted to 2.64 percent of dry grocery sales; in the 15 months since, we began switching to the Mech Warehouse, and those costs have dropped to 1.96 percent of sales. That’s a 26 percent improvement in economic efficiency in only 15 months.”

In 1981, Certified established a company that further differentiated it from the competition: Grocers Specialty Co. (GSC). In short, GSC was designed to meet two specific needs:

- Provide a one-stop, convenient and economical source of product for
small-order buyers, who are usually at a disadvantage in operations geared to large-volume orders.

- Establish a convenient and economic source of specialty foods — ethnic foods, health foods and gourmet brands — for customers who previously were required to buy such products from individual suppliers.

Corresponding with the launch of GSC, Certified converted its Eastern Avenue warehouse from a dry grocery warehouse to a combined facility for GSC and general merchandise. Also in 1981, the company’s meat storage facility in Vernon was remodeled, with plans to add 6,000 square feet of freezer space by early 1982.

Certified’s sales volume in 1981 was $1.64 billion, up from $1.47 billion in 1980.

The following year, sales volume climbed to more than $1.76 billion. By this time, the company had more than 2,700 employees. In 1982, Certified marked the sophomore year of Grocers Specialty Co., which was beginning to see consistent growth in both sales volume and product diversity.

Also that year, Certified launched its Retail Assistance Division, designed specifically to make the company’s members more competitive and profitable. The division offered counseling on all aspects of retail operations.

Did you know...

...that Grocers Specialty Co. offers 1,880 gourmet selections, 1,110 health/diet/natural items, 900 Hispanic products and 650 Asian grocery products.
A primary goal of both Retail Assistance and GSC was to help Certified’s members and customers succeed. That success was evident in the following letters from members to Certified in 1982.

**1982 Letters to Certified**

“Without Certified, we’d spend too much time and money dealing with individual suppliers. We like working with Certified. They seem to go out of their way to help.”

*R&R Ranch Market*

“We attend to customers’ needs by listening to what they say. They can tell you a lot about how to run your store. Certified ships to us five days a week. Merchandise goes out of here as fast as it comes in. No one else could provide the variety and quick service we need.”

*The Original 32nd Street Market*

“We operate under the philosophies of a chain-store grocer but we merchandise each store to the community in which it is located. Certified is our primary supplier of dry groceries, frozen foods, meat, deli and general merchandise. And it’s our private supplier in dairy and bakery. Certified’s ability to supply a market chain of our size and diversity is very impressive.”

*Hughes Markets, Inc.*

“We make sure that quality runs throughout every one of our stores. Fish, meats, service — we make it the best. We want good personal contact with our customers. It’s their store. We’ve dealt with Certified for over 30 years. They stock so many items and at such favorable prices that it just makes sense to work with them. They play a tremendous role in keeping us going.”

*Gelson’s Markets*
A new corporate and store identity program was launched in 1983 to get more customers into members’ stores. Certified shortened its name to “Cergro.” A new “Cergro” logo was created, incorporating the familiar half-daisy found on the labels of Certified’s well-known Springfield products.

The 1983 annual report explains the company’s goals for the identity program:

“...Public awareness of Certified Grocers and the more than 2,000 retail outlets we served has intensified at the consumer level with the ‘Springfield/Cergro’ promotion. Similar inroads are being made in the business and financial communities as ‘Cergro’ is recognized and accepted by more people and agencies with whom we do business. Why the concerted effort to build a ‘big company’ image? Why the emphasis on identifying 2,000 member stores as ‘Cergro’ affiliates? Because it helps assure your independence. Certified has been, and always will be, committed to serving the independent grocery retailer. By graphically uniting more than 2,000 retail markets under the ‘Cergro’ banner, we create a corporate image that elicits public acceptance and consumer trust. Individually, then, each market becomes stronger and more independent as a result of more customers, more profit and more competitive clout.”

“When the Certified driver pulled up to our back door to unload, we stopped whatever we were doing and got out there and helped unload that truck and get him on his way because we knew that whatever we saved Certified eventually came back to us.”

Paul Gerrard
Chairman, Gerrard’s Markets, Inc.
Rapid changes in the food industry and the entry of competing distributors into the California market in 1984 made such huge demands on Certified Grocers that a less flexible, less prepared company might not have survived.

Faced with the loss of more than $300 million in annual sales volume, Certified took quick, decisive action to keep its retailers more competitive. Among the Board's decisions was to close and sell the Corona warehouse and increase efficiency by consolidating operations.

The Board also decided to institute a Service Fee Program, which encouraged volume purchasing by rewarding customers with reduced service fees when they placed large, efficient orders. The program included annual volume discounts in dry grocery, frozen foods, deli, general merchandise and bakery.

Referred to in the company's annual report as a “rough year,” 1984 nevertheless brought many successes for Certified and its customers. Among them was Grocers Specialty Co., which posted a record sales volume of $109.6 million that year.

Another success: the opening of Certified's ice manufacturing and packaging plant, which produced more than 30,000 bags of Happy Time Party Ice cubes every working day.
The year 1984 also saw Certified expanding its presence in Northern California. The 1984 annual report states:

“Long-haul truckers take the spotlight as Cergro becomes a force in Northern California. Where once Las Vegas and California’s Central Valley were considered distant service areas for our Los Angeles-based firm, now we distribute more than 200 truckloads of merchandise weekly to more than 70 stores throughout the Sacramento, San Jose, San Joaquin Valley and San Francisco Bay areas. Annual volume in the northern part of the state approaches $200 million and grows steadily.”

The push to the north continued in 1985, with Certified making plans to open a Northern California distribution center in 1987. Also planned were new facilities for Certified’s growing Grocers Specialty Co.

**Customer Service**

But while artists’ renderings and blueprints were high on the agenda for Certified in 1985, so was something far less material, and perhaps even more important: an emphasis on “the personal touch.” The company's annual report for 1985 explains:

“Today, competition has a keen edge, and time is a luxury. Business styles have changed and the pace, at times, is frantic. But one thing that never goes out of style is the personal touch. And nowhere is that more evident than on our front line — drivers, sales and service representatives, retail operations counselors and the retail support staffs in every Cergro division.”
The report continued by offering examples of the “personal touch” between Certified and its customers. One of the company’s 400 drivers, for example, recalled a situation in which he helped solve a customer’s problem:

“When you go to the same stores all the time and take care of the same people, you get a relationship going,” frozen food and deli driver Ron Reid said. “You begin to understand a retailer’s needs, and can see things from his point of view. I remember one delivery when a customer was short 250 cases of juice. It was an ad item, and he needed them. I figured it didn’t matter whether he forgot to order them or the order got lost in the computer. The point was, he had an ad coming out and he didn’t have the product. So I did some telephoning and arranged to have the 250 cases delivered the next day.”

Fiscal year 1986 was marked by an eight-week work stoppage by Teamsters, as well as other food industry-related unions, forcing Certified to operate on a limited basis with replacement workers.

The strike, in large part, caused the company’s sales volume to drop from nearly $1.8 billion in 1985 to just over $1.62 billion in 1986.

Nevertheless, Certified was characteristically optimistic.

“Thank you for your support and patience in a difficult year,” Board Chairman Leonard R. Leum and Certified President William Christy wrote to shareholders. “Together, we grew stronger as we responded to diverse changes and challenges. We are now in a fine position to be bullish in 1987 and beyond for Cergro and our independent retail members.”

Did you know...

Manufacturing

Coffee, tea or milk?
In a day’s time, Certified’s Dairy Division processes enough milk to give a gallon to every passenger arriving at or departing from Los Angeles International Airport that day. On average, the Dairy cranks out 1 million gallons of milk a week.

...Did you know that Certified’s Dairy not only processes the milk; it makes the plastic gallon cartons to contain it — more than 47 million of them every year?
The year 1987 marked the opening of Certified's Dry Grocery Warehouse in Stockton. The 428,000 square-foot facility was the company's first physical plant in Northern California. At the time, the Stockton warehouse represented about 21 percent of Certified's total grocery volume and handled all export distribution.

Along with the development of the Stockton warehouse, Certified in 1986 opened a sales and service center at Pleasanton, where products are selected to match the unique needs of the company’s Northern California retail members/customers.

At the Stockton warehouse, as well as the new facility occupied by Grocers Specialty Co., pallet flow-racks were installed to improve operations and distribution. The new system increased productivity, cut labor costs and considerably reduced out-of-stocks after its 1987 installation.

In 1987, Certified's Export Division — now Certified International — posted $63 million in sales volume, representing a 28 percent increase over the previous year. Major growth areas in 1987 were Guam, the Federated States of Micronesia and the Republic of Palau.

Companywide, Certified’s annual sales volume for 1987 was more than $1.8 billion dollars.

At the end of Fiscal 1988, Certified posted $1.96 billion in sales volume. Along the way, the company reorganized its management structure. Three management groups were created — Northern, Southern and Service Companies — with a member of the company's executive staff designated as president of each group.
Also in 1988, Certified acquired 29 former Alpha Beta, Lucky, Vons and Safeway stores for its retail members. Meanwhile, the company’s advertising and promotions department introduced its “Quality Food Stores” (QFS) campaign targeted to stores that catered to upscale customers.

The year 1988 also saw construction begin on a new frozen food and deli warehouse addition in Stockton. The design plan called for about half of the 138,250 square-foot facility to be maintained at 10° F for frozen food, with the remainder of the warehouse at 36° F for deli items.

In 1989, Certified President William O. Christy announced his plans to retire in December, ending a career that spanned four decades. Christy, who had held the positions of treasurer, senior vice president of finance/treasurer and executive vice president of operations since joining the company in 1954, was named corporate chairman. His successor was Everett Dingwell.

Like Christy, Dingwell began his career at Certified in 1954. He progressed to several management-level positions before leaving the company in 1962 to pursue sales management positions at other food operations. He returned to Certified in 1968 and began a steady progression of management positions that included executive vice president of marketing, president of Certified’s Northern Division and executive vice president.

As planned, the Stockton frozen food and deli warehouse was completed in 1989. The General Merchandise Division became Grocers General Merchandise Company (GGMC), a Certified subsidiary. That same year, Certified’s companywide sales volume easily surpassed the $2 billion level at nearly $2.33 billion dollars.
The ’90s: Reinvention

Stockton continued to grow in 1990, when a 205,000 square-foot addition was made to the dry grocery warehouse. Its August completion allowed Certified to ship a million cases a week to its Northern California members and international accounts.

A month after the Stockton addition was complete, Certified opened its new general merchandise warehouse in Fresno. The automated, 138,250 square-foot facility incorporated a unique no-pallet system in which merchandise was loaded into bins and placed on a conveyor belt into a waiting trailer.

Also in 1990, the company’s dairy warehouse was expanded and remodeled. The area that had been occupied by the ice cream plant was converted to a conveyor-driven warehouse for milk and milk by-products.

With its new state-of-the-art facilities, Certified continued to grow in terms of sales volume, which climbed to nearly $2.7 billion in 1990. New President Dingwell was pleased:

“There is no doubt that the future holds challenges for all of us, and we, together, have always demonstrated the ability to respond in a positive way to these opportunities.”
Dingwell’s prediction proved accurate in 1991, a year of change, uncertainty, gains, losses and significant challenges for Certified and the food industry. In 1991, the national economy was in a recession and attention was focused on the Persian Gulf conflict and consumers’ demands for quality, service and value.

Despite these challenges, Certified Grocers sales volume grew — albeit modestly — to nearly $2.8 billion in 1991.

The year also saw Certified expand its Mechanized General Merchandise Warehouse in Fresno from 142,000 square feet to 300,000 square feet. Considered one of the most modern general merchandise facilities in the United States, the expanded warehouse allowed the company to warehouse 6,000 health and beauty aids and 7,000 houseware items.

A new addition was made to Certified’s private label family in 1991, with the introduction of the Special Value line of products, which were designed to replace the company’s generic label.

"I think the biggest change I’ve seen in the grocery industry over the years is that every grocer, no matter what they’re doing, no matter what niche they serve, whether it’s upscale or not, must have a quest for excellence in everything they do."

Gail Gerrard Rice, Executive Vice President
Gerrard’s Markets, Inc.
1992-1993

Fiscal Year 1992 marked a period of restructuring, reshaping and redirecting strategies at Certified. That’s because several challenges faced the company, including a wave of consolidations, mergers and new entrants into the grocery business, which led to increased competition for market share.

Growth, however, was still evident that year, particularly in the Northern California operations. In fact, following the opening of Certified’s Stockton warehouse in 1987, the Northern California independent store base grew each year. In 1992, 30 retail stores became new members of the company, while existing members opened an additional 20 stores.

The year 1992 also saw Certified expand its global market to include the Middle East. The company shipped private label products to accounts in Kuwait, Jordan, Iran, Lebanon and the United Arab Emirates.

Though the challenges the grocery industry faced in 1992 remained in 1993, Certified recorded relatively solid performance that year.

“Our fiscal 1993 year reflected the current economic conditions that continue to impact California and Hawaii...Consumers are cautious and watching their expenditures for everything, including food purchases. All food store operators have felt this change, although our independent operators appear to be holding their own. We continued to make the necessary operational adjustments to offset volume declines from large members moving into their own facilities...Expense reductions and improvements in productivity, along with an increase in fees for the fiscal year, were the prime factors in our year-end results.”

In a cost-cutting move, Certified closed its Produce Division in 1993.
1994
Fiscal 1994 brought many changes to the food industry, including Certified Grocers. Among them, Alfred A. Plamann, then chief financial officer, was elected president, and Everett Dingwell was named corporate chairman. At the same time, Dingwell announced his plans to retire from the company at the end of 1995.

That year, Certified faced many challenges in the increasingly competitive grocery business. Under Plamann's direction, the company developed a new mission — to change the way Certified Grocers did business with every member/customer of the company.

In 1994, Certified spent a considerable amount of time and energy focusing on one objective: Finding ways to simplify the company's business structure while simultaneously improving profit opportunities for customers. The net result was a strategic three-point plan: Focus on process, focus on building partnerships and focus on expanded service.

1995
On March 17-18, 1995, the officers of Certified committed the company to a course of action to ensure long-term success and profitability for members/customers. Named C³, for Certified's Commitment to Customers, the strategic initiative was designed to re-invent the company and fundamentally change the way Certified conducted business in an increasingly competitive marketplace.

To be the most cost effective, quality-driven company that provides world-class services and complete product selection by creating a partnership with retailers and strategic alliances with suppliers.

— Adopted by the Board of Directors in October 1995

“For Certified, living up to this Mission Statement means establishing and maintaining effective working relationships with vendors, retailers and consumers to ensure that the company achieves its overall goal…to provide the right product, at the right time, and at the right price, to consumers. Accomplishing this means making an unequivocal commitment to retail customers.”

— Alfred A. Plamann, 1995
During the first year of C³, several cross-functional teams of employees were formed to generate “out-of-the-box” ideas that would produce breakthrough results in a short period of time. Of course, it would take more than brainstorming to “reinvent” Certified Grocers. To guide the company’s nearly 2,500 employees on its new mission, four strategic objectives were created — Growth, Quality, Cost Efficiency and Superior Service.

Not long after the C³ initiative got underway, progress could be seen in a variety of areas throughout the company. In FY 1995, Certified significantly enhanced its presence in the Arizona wholesale grocery market by adding Phoenix-based Megafoods Stores, Inc. to its membership roster. Additionally, Nob Hill Foods, a 25-store retail chain in Northern California, began purchasing several lines of product, adding $100 million to sales volume. Certified also added 14 new members (17 stores) in 1995.

1996
In 1996, Certified successfully stepped-up its efforts to expand productivity and efficiency.

In the Manufacturing Division, the dairy was able to increase its production to nearly 100 percent of capacity with the addition of a $45 million customer, Ross Swiss Dairies. Producing just under one million gallons of milk a week, Certified’s dairy became one of the largest — and most efficient — in the state.

Certified’s bakery also added a significant amount of business to its day-to-day operations. In the fall of 1996, Certified’s bakery announced a partnership with St. Louis-based The Earthgrains Co. to produce and distribute the company’s line of premium bread products. This addition to the bakery’s production significantly enhanced its overall efficiency.
Certified's Meat Division expanded into Northern California in 1996. As FY 1997 commenced, the first deliveries of meat and service deli products to customers in the North were made from the newly established meat division. In the South, Certified’s Meat Division expanded its presence into Mexico, with approximately 120,000 pounds of poultry per week shipped to customers there.

In distribution, Certified in 1996 completed a reorganization of its warehouse operations to emphasize speed, quality and efficiency. This was achieved by restructuring the distribution system around three core processes – receiving, inventory management and shipping.

To further streamline inventory and increase order accuracy, radio frequency warehouse management systems were implemented in some facilities. By 1997, all distribution centers were equipped with radio frequency systems.

Thirdly, Certified in 1996 became the first grocery wholesaler west of the Mississippi to use plastic pallets for customer delivery. This investment reduced costs and increased the amount of product shipped to Certified’s members.

**Apple Market Banner Program**

In 1996, Certified subsidiary Grocers Equipment Company (GEC) unveiled a banner store program designed to introduce modern technologies and merchandising strategies to older stores by converting them into state-of-the-art retail operations with new layouts and interior decor.

![Apple Market](image)

The Apple Market program was designed to increase store traffic by upgrading the design and format of older retail stores from the inside-out. Although Apple Markets are independently owned and operated, they have the look and feel of a chain store because each one carries the same name and logo, offers the same quality products, uses a consistent merchandising approach and employs the same design and decor package throughout the store.
products, uses a consistent merchandising approach and employs the same design and decor package throughout the store.

Certified also provides each store with a host of advertising tools, marketing and promotional programs and plenty of in-store merchandising support, such as produce and meat specialists who assist with operations, merchandising, scheduling and training.

In early tests of the Apple Market concept, shoppers reacted positively to the format, giving the stores high marks for a clean, upscale look, a pleasant shopping atmosphere and a consistent, well thought-out store design. This has prompted an initial surge of interest from members who are interested in converting their stores to the Apple Market format.

The first Apple Markets opened for business in Southern California in the fall of 1996. In May 1997, nine were operating, with a total of 20 scheduled to open by the end of the year.

**Looking Toward the Future**

When Certified Celebrates its 100th anniversary, 25 years from now, how will the face of the grocery industry have changed? What will Certified’s role be as the 21st century begins? The role of the independent?

The future cannot be predicted. But one thing is certain — Certified is committed to its customers. In 1997, the company’s commitment to each of the objectives set forth in its Mission Statement is as strong as when it was enacted. Employee dedication is at an all-time high. The company is growing.

What better indicators of a bright and prosperous future — for Certified and its independent retailers?