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Idaho Statesman

WinCo: How Boise's homegrown discount grocer keeps expanding

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WinCo builds a grocery empire from a low-profile home base in Boise.

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About once a month, Burt Flickinger III walks into a WinCo supermarket and stares down the “Wall of Values” — a trademark wall-to-wall display just inside WinCo entrances that catches customers’ eyes with marked-down crackers, canned soup, boxed pasta or s’mores supplies.

Flickinger lingers in the store and talks to everyone he can. He asks vendors for intimate details about WinCo. He gets the dirt on its discount structure. And when the **New York-based retail analyst**, who specializes in the art of grocery, heads back to the East Coast and talks with university students, he’ll use WinCo Foods as a case study in shrewd retailing.

“WinCo arguably may be the best retailer in the Western U.S.,” he says.

Tell us how you really feel, Flickinger.

“WinCo is really unstoppable at this point.”

One more time?

“They’re Wal-Mart’s worst nightmare.”

In his career of touring retailers, Flickinger says he found one comparable business when it comes to employees, efficiency, customer service and sanitation. It’s called Pak ‘N Save. It’s in New Zealand.

Flickinger is far from the only fan of the Boise-based company. Its lack of a membership fee for access to lower-priced goods made it popular enough to grow from a single store on Overland Road east of Orchard Street in 1967 into a regional chain with about $5.5 billion in sales last year, making it one of Idaho’s largest for-profit companies.

WinCo has almost 15,000 employees and close to 100 stores open or coming soon. It has two stores opening in 2014 in the Dallas-Fort Worth area and plans additional locations in Texas, its latest conquest.

The company is privately held and doesn't disclose profits. It keeps a low profile and rarely engages in self-promotion. But WinCo spokesman Mike Read recently shared some facts with Business Insider.

So did Flickinger, whose family founded WinCo partner Federated Foods, though he now has no financial or personal ties to WinCo.

1. WinCo is owned by that stockperson who tells you where to find the blueberries, and by its executives.

That wasn't always true.

Ralph Ward and Bud Williams, two Idaho businessmen, started a discount warehouse in Boise and called it Waremart. Their store multiplied into several in the Northwest. Their company added another banner, Cub Foods, to some of its stores.

Former CEO Bill Long joined the company in its early years. By 1978, when he'd risen to president of the company, it was struggling.

"We were opening stores and closing just as many stores," Long said in a 2007 Idaho Statesman profile of the company.

The chain as we know it today started in 1985. That's when Long and other employees negotiated a buyout, making it an employee-owned company. At the time, WinCo had 18 stores selling $187 million a year — less than $11 million for the average store. Now it's closer to $55 million per store, and some new stores are headed for $75 million or more per year, Flickinger says.

It donned the name WinCo, short for "Winning Company," companywide in 1999. The board picked the name from more than 5,000 pitched by employees.

WinCo's current president and CEO is Steven Goddard. He took over from Long in 2007, when annual sales were about $3 billion across more than 50 stores.

2. Some of those employee owners have plump pensions.

Especially those who got in on the ground floor.

People who work at WinCo long enough will qualify for a pension that gives them a slice of WinCo's fortune.

The company pours an amount equal to 20 percent of an employee's total yearly pay into a pension plan.

The value of the shares in those retirement accounts has been appreciating, on average, at 20 percent a year since 1985, Read says. More than 400 employees Read refers to as “front-line” employees — produce clerks, cashiers and other nonexecutives — have retirement accounts worth at least $1 million, he says.

Flickinger says WinCo workers tend to stick around. His company, Strategic Resource Group, estimates the average WinCo hourly worker in Idaho, Oregon, Washington, Utah and California stays with the company for more than eight years.

3. WinCo saves money, and makes money, by cutting out the middleman.

Grocery stores traditionally rely on distributors to get their products. WinCo has a different approach — one that uses a few strategies to keep prices low without eroding profit.

The company will send a truck of its own to a manufacturer’s plant and stuff it with pallets of cherries, Fruit by the Foot, Hamburger Helper or Betty Crocker cake mix. Buying a mountainous quantity of one item yields WinCo a special price that can amount to a 10 percent to 50 percent discount, Flickinger says. The manufacturer also rewards WinCo for saving it the hassle and cost of loading and delivering the product by giving WinCo a hauling fee of $150 to $250 per shipment, he says.

At the same time, having just four distribution and storage centers, with trucks going straight to stores, means WinCo doesn’t have the overhead of several people unloading trucks and stocking smaller warehouses, and store employees spending time constantly checking and re-ordering inventory. Instead, the cake mix goes straight to a store to be stacked in an aisle.

The company also trains its eyes on promotionally priced items from manufacturers.

WinCo opened some Arizona stores recently. Flickinger says he visited them at 2 a.m., around the same time he visited some nearby Wal-Mart stores.

The vendors “told me that WinCo literally cut Wal-Mart’s direct store shipments on a lot of big brands by anywhere from 30 to 40 percent,” he says. “And in many cases, WinCo was doing 50 percent more volume per store on a lot of the big brands compared to the closest Wal-Mart Supercenter.”

4. It saves money at the register.

WinCo requires customers to bag their own groceries — ideally, while the cashier is running the items through checkout — to cut down on labor costs. Its checkout stands have two lanes, meaning one shopper can finish bagging her groceries without slowing down the guy in line behind her.

The stores take no credit cards — just debit, cash and checks. That eliminates the fees card processors charge merchants.

WinCo's checkout stands, and everything else for that matter, lack frills. They're pragmatic, not pretty.

"Our stores, though we think they're nice-looking, they're not filled with a lot of fixturing," Read says. "We keep them clean and easy" to navigate.

5. WinCo runs on cash, not debt.

The company's expansion into seven Western states has been funded mostly by its cash flow, Read says. "We don't have much leverage right now," he says.

Flickinger adds that WinCo's real estate team has leveraged the real estate crash and the economy to help it expand. Instead of always building new warehouses, WinCo has swooped in on abandoned or vacant Home Depots or other big-box stores.

6. The company has challenges, but they're not unique.

Read says the federal health-reform law is having "an impact on us, and not necessarily a good one," because of changes such as having to cover employees' children up to age 26 and eliminating lifetime coverage caps.

The company provides full medical benefits for employees who average at least 24 hours per week, which is beyond the requirements for a business of its size in the Affordable Care Act.

Other possible legislative changes — labels having to say whether foods contain genetically modified products, for example — would add "an awful lot of costs" to WinCo's business, he says.

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Flickinger says WinCo's growth and the newly reunited Albertsons chain offer a "dual benefit for Idaho." Boise-based Albertsons is "solidified," while WinCo's growth is explosive, he says.

If WinCo stays on its trajectory for 12 to 15 years, he projects WinCo will have higher sales volume than Albertsons did at its peak.

"WinCo is really accelerating its growth significantly," Flickinger says. "You can see WinCo doubling in size every five to seven years. ... No one can compete against them effectively."

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