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A&P looking for buyer, memo says

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The nation's oldest grocery chain, the Great Atlantic & Pacific Tea Co. (A&P), is up for sale, according to a memo sent by Chairman Gregory Mays to store managers and other employees from the company.

Mays outlined various options in the memo, including raising capital through refinancing and other financial tools, but the sales option is the one that is getting the most play and seems the most likely by longtime industry observers. The existence of the memo was first reported by the *Wall Street Journal* on July 25 and confirmed by retail consultant Ron Pelger of RonProCo this morning.

Pelger, who worked for A&P for almost 35 years and is a columnist for *The Produce News*, said he was told by some current employees that the memo exists, "but I haven't seen it yet."

According to the WSJ article, A&P said this is "not about being in distress. It's a desire for capital, not a need for capital."

Pelger had a problem with that characterization and said the chain's actions over the past several years point to weak management. "It angers me to see how this company has gone downhill," he said, indicating that he loved his time there and still has lots of friends in the employ of the 320-store chain. "When I decided to leave A&P in 1999, it was healthy, strong and moving forward. It's such a shame to watch it dwindle over the years."

He added that he knew the company was in trouble when it started selling off some very profitable stores, like the ones in Cape Cod in Massachusetts. "We made a lot of money in those stores. If you are selling off those stores, you are in distress."

Pelger said many companies point to outside influences to explain their problems, such as the economy, labor unions and weather problems, "but the number one reason any company has problems is management."

New Jersey-based A&P had about 400 supermarkets before going into bankruptcy in December 2010. The company emerged from Chapter 11 bankruptcy protection in March 2012 as a privately held company operating about 320 stores under several names, including Food Emporium, Pathmark, Super Fresh and A&P.

According to the WSJ's report on the memo, A&P has since been able to increase its liquidity significantly and reduce its debt but is "still working toward obtaining profitable sales." Some retail watchers have estimated that if the chain is sold intact it could bring as much as \$1 billion.

Pelger said he was not privy to inside information, but "I hope that Kroger buys it or at least buys some of the stores. They are a good company that has survived and pulled themselves out of difficult times. I would not be surprised to see them pick and choose and take some of the best stores."

Pelger said A&P does have many fine stores and many good people that could be an asset to the portfolio of any supermarket chain. From his vantage point, Pelger believes A&P did not change with the times, which has doomed its success. "When a traditional supermarket concentrates on cutting labor and letting good people go out to pasture, it demoralizes the people that are left behind and they just can't do a good job."

He said it has been very difficult for A&P to adapt to the new environment, which sees deep discounters undercutting its prices and taking away market share.

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