



Get the Facts about Quality Food Centers in Washington State

Quality Food Centers (QFC), a division of The Kroger Co., has made the difficult decision to close two of its 15 Seattle locations. The closures follow the Seattle City Council’s decision mandating certain employers provide extra pay for some, but not all, local frontline workers. Despite our efforts to overcome the challenges we were already facing at these locations, the indefinite extra pay mandate imposed by the Seattle City Council makes it impossible to run a financially sustainable business that ensures our ability to continue serving the Seattle community with reliable access to affordable, fresh groceries and other essentials. We are proud of our role as a leading employer in Seattle and remain committed to our dedicated associates on the frontlines.

Quality Food Centers remains committed to the Seattle Community and Washington State.

QFC has decided to close two of its 15 Seattle area locations – 13% of its stores in the city. QFC remains 100% committed to the Seattle community and Washington state.

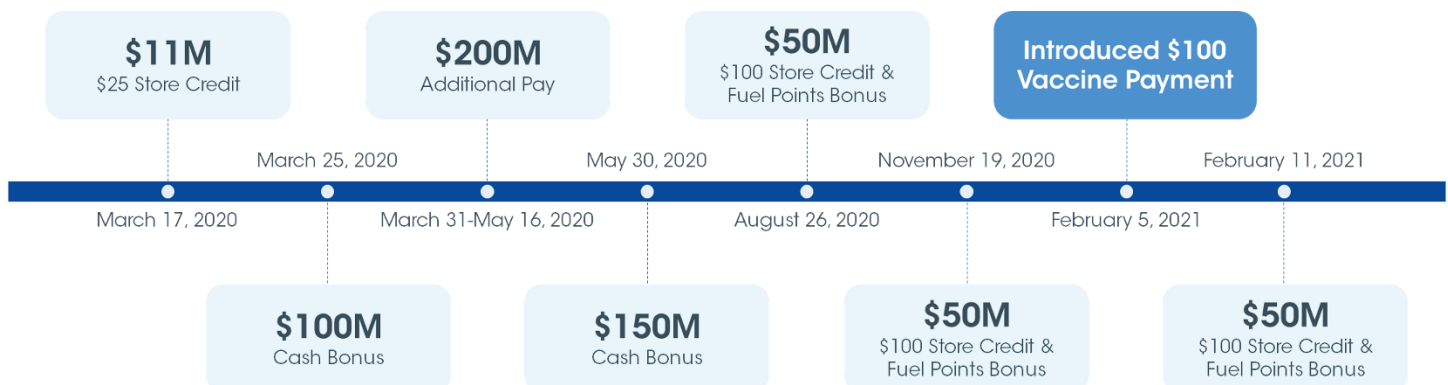
Since the start of the COVID-19 pandemic, grocery store employees have served on the frontlines as essential workers to ensure customers have safe access to food and daily living essentials.

Unfortunately, the Seattle City Council’s mandate makes it impossible to run a financially sustainable business.

We have made significant investments in extra pay and other benefits to support our associates throughout the pandemic.

Since the start of the pandemic, the grocers’ family of companies has invested over \$1.5 billion to safeguard and reward our associates and committed nearly \$1 billion to secure pensions for tens of thousands of our associates in Seattle and across the country.

To recognize and thank our associates for their incredible work during this historic time, the Kroger family of companies continues to provide rewards for our frontline associates and established new paid emergency leave guidelines.



We have made significant investments to make stores safer for our associates and customers in Seattle.

Our associates are indeed frontline heroes, making sure our communities have access to fresh food and other essentials. We've taken significant steps to protect our associates and customers, including:

- Providing free PPE daily to every associate, including masks and gloves.
- Performing enhanced daily sanitation practices, including cleaning commonly used areas more often like cashier stations, self-checkouts, credit card terminals, food service counters and shelves.
- Deep cleaning and sanitizing of the entire store by a third-party cleaner after any reported positive case.
- Installing partitions at check lanes, and pharmacy and Starbucks registers.
- Adding floor decals to promote physical distancing at check lanes and other counters.
- Adjusting store operating hours to allow more time for associates to rest, clean and replenish inventory.
- Continuing to expand pickup and delivery services and contactless payment solutions like Kroger Pay.

Economists say extra pay mandates could limit access to grocery stores for consumers, eliminate jobs and reduce hours for grocery workers.

According to a new economic analysis, extra pay proposals could also force grocers to reduce the number of workers or reduce worker hours by 22% to avoid store closures. This hurts the very grocery workers the proposals are intended to help.

Grocery stores operate on razor-thin margins and extra pay mandates could put any struggling store in jeopardy.

Each QFC store has its own Profit and Loss and must be financially sustainable. When stores underperform or incur significant losses, it could lead to higher prices, job reductions and less funding to support our communities. The Seattle City Council mandate will increase our store operating costs by an average of nearly 22%.

Labor costs for QFC stores equal 13% of total sales. To generate \$100 in grocery sales, QFC stores spend \$13 paying their workers. QFC stores must also purchase groceries, pay utilities, and purchase and maintain the necessary equipment to run the store. After covering all these costs, the average profit for a QFC store is around 2%. This means for every \$100 in grocery sales, the stores earn \$2.

Government-mandated extra pay proposals result in a 22% increase in costs. As a result, total expenses will increase by an average of 2% – essentially equal to their average profit.

Where does the money go?

For every dollar in sales . . .



The Seattle Extra Pay mandate picks winners and losers while ignoring the total compensation package QFC provides to its associates.

The Seattle City Council has chosen to pick winners and losers among frontline workers and has excluded other mass retailers and many non-union competitors.

- QFC's average hourly rate in Seattle is over \$19.97 an hour.
- Total compensation is over \$25.96 an hour, including health care and pension benefits.

Extra pay mandates could increase grocery costs for a family of four by \$400 per year at the worst possible time.

According to a new [economic analysis](#), the extra pay proposals of \$5.00/hr. would increase grocery costs for the typical family of four by \$400 per year. Higher grocery costs would hurt Washingtonians at a time they are already struggling to put food on the table – and would be especially harmful to low-income, people of color, seniors and disadvantaged communities.

Extra pay mandates would likely lead to increased food insecurity issues that are more abundant for low-income and disadvantaged communities.

Seattle politicians should be thinking about ways to support grocers to remain open in minority neighborhoods – not create mandates that restrict them. Driving up costs and pushing grocers to close could cause low-income consumers to travel greater distances to purchase groceries while incurring additional costs. Research from

Wichita State University has shown that increased costs/taxes drive shoppers across county or city lines. As a result, increased food prices in Seattle will cause consumers to travel to neighboring cities to purchase groceries.

Localities need to carefully study the potential harmful impacts on consumers, workers and our communities before rushing to make a decision.

Communities should acknowledge the significant steps that grocers have taken to protect workers, and boost their pay and benefits before implementing rigid, duplicative pay mandates. These proposals also ignore the total compensation package provided to many grocery workers, which includes strong health care coverage and reliable pension plans. Some localities are rushing to implement these mandates without a complete analysis of their costs, impact to families and communities, and input from businesses. Communities must take the time to do research and understand potential impacts before rushing to a decision that could do far more harm than good.

The two affected stores in Seattle will remain open for 60 days until the closure is completed on April 24.

During this time, we will work with each impacted associate to help them through this transition. QFC will comply with any contractual commitments and consider any transfer requests.