

THE WALL STREET JOURNAL.

A Coronavirus Bull Market for Groceries

The owner of Manhattan's largest supermarket chain, John Catsimatidis, on panic buying, mask-clad cashiers, and how the pandemic will permanently change his business.

By Tunku Varadarajan

April 3, 2020

INSTRUCTIONS: What firm is the focus of this article? What is the industry? What opportunities and threats are suggested in this article? What tool(s) from your toolbox did you use to identify these opportunities and threats?

New York

In the days before the Wuhan coronavirus hit America hard, widespread alarm ensued. This expressed itself most obviously in the flocking to supermarkets. Shelves were depleted of their contents, with a few items—such as hand sanitizer, disinfectant wipes and Lysol products—becoming prized and scarce. Of all the things dear to American civilization, toilet paper became the leitmotif of the country's collective panic.

The run on toilet paper makes grocer John Catsimatidis angry, even though its recent sales are bound to have fattened his bottom line. "There's a rumor that there will be a shortage of toilet paper—and then there is a shortage of toilet paper," he sputters over the telephone. (This interview was conducted pursuant to social-distancing best practices.) There is no real shortage of toilet paper, he insists, describing any passing scarcity as the result of unhinged demand. "What do you normally have at home, maybe four rolls? Now homes have 12, 24, 36." As for Purell, he says, people "normally don't have it, or one bottle at home at best. Now they have one in every room."

New York is the American city hardest hit by Covid-19, and Mr. Catsimatidis, 71, is New York's grocer. He owns one chain of supermarkets, Gristedes, and a controlling interest in another, D'Agostino. With 34 stores in total, his is the largest supermarket presence in Manhattan (with a store each, he insists I note, in Brooklyn and on Roosevelt Island, which sits in the East River but is part of the borough of Manhattan). The Forbes 400 list of wealthiest Americans reckons his net worth at \$3.3 billion, money made from loo paper gone gangbusters, real estate and oil.

“There is no reason to panic about supplies,” Mr. Catsimatidis says. “I want people to know that. Only panic buying causes shortages.” Immediately, he texts me a picture, taken at one of his stores, of shelves stacked with paper goods. The virus has doubled his business. “Before the jump in demand,” he says, “around 200 trucks unloaded at our stores every day. Now we’ve got 400 trucks daily.”

In a few days, the local supermarket was transformed from a mundane place every American took for granted into a shrine to human survival. Mr. Catsimatidis counsels Americans who wish to stock up to buy “no more than two to three weeks’ worth of supplies. Most people have stuff for three days, in normal times. They don’t need stuff for two or three months.”

The grocery industry is one of the few in America that are hiring at a time when many businesses are laying people off. Mr. Catsimatidis says that he’s hired 100 additional employees at his stores: “We found that our loyal staff were working something like 70 hours per week, and we had to lighten the load.” Will he keep them on after the crisis? “It depends on our needs,” he answers, “and it depends on the mood of New York’s people.”

An epidemic poses special challenges to face-to-face retail. “We’ve put up a visible guard between customers and employees at the checkout,” Mr. Catsimatidis says, as he texts me a photo of a masked employee behind a transparent screen at a register. “And we put tape on the floor near the checkout to mark a 6-foot distance for customers.” The stores are distributing masks to employees. “We have our stores fumigated every night, and we have our managers monitoring the temperature of every employee before they come in and log in.” He adds ruefully that “we’re short thermometers right now.”

In response to a question about employee morale, Mr. Catsimatidis says “we have a few” who are unhappy, “but not as many as Whole Foods or [Amazon](#).” It helps that he gets along with the unions that represent his employees: “I’m in business 51 years. We’ve been unionized 51 years. And we’ve worked with them 51 years.” Many of the employees at Gristedes and D’Agostino have been “very loyal, working with the company for 10, 20, 30 years.”

Mr. Catsimatidis says the pandemic will have a “huge impact” on how Americans live—and how they shop. He sees changes in behavior unfolding in real time that he doesn’t think will be reversed once the coronavirus abates. “You have the brick-and-mortar stores like ours, and the internet companies that deliver, like Instacart.” People are ordering “the heavy stuff, the paper goods” online, and won’t stop. “They’ll rather have it delivered and pay the extra dollar than—how do you say that Jewish word?—schlep it home themselves.” With the paper-goods business migrating online and “half of all drugstore space now used for food,” Mr. Catsimatidis says supermarkets like his may have to repurpose themselves into “convenience stores where people come to buy specific food products.”

Yet the closure of restaurants is helping the supermarket business. Dining out is prohibited under emergency executive orders, and many eateries have shuttered takeout and delivery too. This redounds to the supermarkets’ advantage, and Mr. Catsimatidis thinks that may continue after the crisis.

In normal times, “60 cents of every food dollar spent in New York City is spent in restaurants,” he says. “Let me say that again: 60% of the food eaten in New York is made by restaurants. And this is where the real increase in business is coming to the supermarkets right now.” New Yorkers who seldom cooked have had to take to their kitchens under lockdown. “Some of them are making good food at home,” he says. “Really good food.”

Mr. Catsimatidis thinks the eclipse of restaurants could have a profound impact on New Yorkers’ habits. “People are getting used to staying home, and restaurants could be hurt by it if we decide we like eating at home.” The pandemic could accelerate a similar change in the entertainment business: “Tell me, when you go to the movies, do you know who you’re sitting next to? No, you don’t. Wouldn’t you rather stay home and pay [Disney](#) \$30 to watch a first-run movie?”

The grocery mogul’s life, it could be said, is not unlike a movie script. Born on Nisyros, a tiny Greek island, he was 6 months old when his parents migrated to the U.S. They settled in Harlem, where he grew up on 135th street. His father worked as a busboy. Mr. Catsimatidis bought his first grocery store while he was an undergraduate at New York University. He dropped out eight credits short of graduation, and now lives palatially on Manhattan’s Fifth Avenue, a man of self-made wealth. In 2016 his native Greece honored him by putting his likeness on a postage stamp. A former “Bill Clinton Democrat,” he unsuccessfully sought the 2013 Republican nomination for mayor of New York. His opponent went on to lose to Democrat Bill de Blasio.

How would he handle the crisis if he were in City Hall? “I’d be sitting down with Donald Trump and saying, ‘What else can you do for me? Please. And thank you, sir.’ ” He contrasts this with the combative approach Gov. Andrew Cuomo initially took: “I gave Cuomo some advice. I said, ‘Donald Trump, whether you like him or not, is the president of the United States. You’ve got to decide. He can move mountains for you if you’re nice to him. You don’t want to be nice to him? You’re not going to get as many mountains.’ And I think I had an effect on Cuomo.”

The supermarket business, Mr. Catsimatidis says, “changes every 10 years or so.” The food he sells in his stores today bears little relation to the stock on display at his first Red Apple grocery half a century ago. The most notable change of late has been in the volume of produce sold. “Ten years ago,” he says, “your produce departments did 7% of store sales and your meat departments 17%. Now they have flipped. Produce and vegetables are way up there; meat products are way down.”

He expects the pandemic will drive the next great change, a demonstrative focus on hygiene. There will be a next generation of packaging. “People won’t be touching the produce so much, or touching it at all. Everything will be packaged around human handling.” Prodding the tomato or sniffing the melon before you buy may be a thing of the past. “The mood will demand that everything be clean, untouched. I think the people’s mood will be very important for us, in everything we do.”

END