

Chips off the old butcher's block

By JOHN DeMONT Senior Writer

A few weeks back, David Sobey sat down with his son, Empire Co. president and CEO Paul Sobey.

The elder Sobey, 82, was in an expansive mood.

“Jesus,” he said at one point in the conversation. “I never thought this company would ever get this big.”

Which is funny for two reasons.

First, it happened even before this week's announcement that Empire, operator of the Sobey grocery chain — already the second-largest in the country — had reached an agreement to buy Safeway Inc.'s 213 Canadian stores for \$5.8 billion.

Second, 30 years or so ago, David's own father, Frank, considered the family firm's growth from its humble beginnings in 1907 to where it stood in the 1980s and reacted with pretty much the same incredulous words.

Who really can blame them? The little-guy-who-makes-it-big Sobey saga is as inspiring as it is miraculous.

“It has been a whole bunch of steps and contributions from a whole bunch of people,” Paul Sobey said in a recent interview with The Chronicle Herald about his family's business success.

But it starts with one man who refused to stay down on the farm. John William (J.W.) Sobey, Paul's great-grandfather, was 36 when he decided to leave the family farm in Lyons Brook to settle in industrial Stellarton.

Two years later, he bought a meat business in the town, became a butcher and hired horse-drawn wagons to peddle his meat door to door.

“Pretty soon the rest of the family were involved,” said Paul.

In 1912, they built the first Sobeys store at 244 Foord St. in Stellarton. Two storeys high, it was an establishment of its time and place — sawdust on the floor, big barrels of molasses, 100-pound sacks of dry goods, marble meat slabs and thick butcher's blocks. (Nowadays, “Number 1” is a Needs convenience store.)

In 1924, John's son, Frank — who even as a teen liked to pore over the Financial Post newspaper — persuaded his father to expand from strictly meat and vegetables into the full-range grocery business. By the early 1930s, even with the Great Depression underway, the Sobeys name was on stores in New Glasgow, Trenton, Westville and Antigonish.

Frank, the driving force in the nascent enterprise, pushed the family into the movie theatre business and used bond issues to finance expansions by opening new stores and acquiring existing ones.

In the early 1940s, according to his great-grandson, Frank Sobey coveted a building on New Glasgow's Archimedes Street for a supermarket. To acquire the building, he had to buy the company that owned it. Empire Co., in fact, was a fitting name for an entity that would eventually hold the family's vast real estate and retail holdings, including the grocery arm, which was privatized in 1981.

"Frank always had this ability to attract and surround himself with ... great people," said his grandson, Paul.

Drive also helps. By 1947, Frank Sobey, who served unopposed as mayor of Stellarton for \$1 a year for 20 years, had broadened Empire's portfolio to include steel and pulp and paper companies.

The grocery business, though, was the family's main focus. Acquiring the Barkers Stores chain — its biggest rival during the Great Depression — that same year gave it a total of 14 stores, including its first supermarket.

By 1962, there were 26 Sobeys stores in the Maritimes, including 18 in Nova Scotia. They were starting to make money too: that year the company's operating profit climbed to \$1.2 million and net income hit \$400,000.

During the '50s and '60s, the family's financial might helped prop up several troubled local enterprises that struggled to stay alive. But the Pictou County clan's growth ambitions remained as strong as ever.

In 1977, when sales for Sobeys stores hit \$236 million, Frank Sobey and his sons fought and lost a nasty war to take over Ottawa food wholesaler M. Loeb Ltd.

Even so, five years later, sales by the grocery arm — by now run by Frank's sons Bill, David and Donald — approached half a billion dollars. In 1987, sales topped the \$1-billion mark.

Keeping an eye on the plus side helped. Even in the early 1980s Frank Sobey was known to blow a gasket if corporate mail was sent first-class when time was not of the essence.

All the growth didn't happen organically. In 1998, Sobeys dropped \$1.5 billion on Oshawa Group, owners of the IGA brand. The move, which Paul Sobey called "transformational," tripled the size of the food empire and allowed it to push strongly into Western Canada.

The growth didn't end there. In late 2011, it bought 250 Shell Canada service stations in Quebec and Atlantic Canada.

Last week's deal, which makes Sobeys the largest grocer in Western Canada, dwarfs all the others. If it goes ahead, the Sobeys chain acquires a bigger national presence along with a combined \$24-billion annually in sales and a real estate portfolio that approaches \$2 billion in assets.

"It's a new stage in our growth and our development," said Paul Sobey, adding that the corporate challenge for the new grocery behemoth is "enhancing your offerings" along with "striving to exceed your customers' expectations ... in the most cost-effective manner possible."

The Sobeys before him might have put it a little differently. But they probably would have known exactly what he was talking about.

(jdemont@herald.ca)

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