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Employees to own all Buehler's supermarkets

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Image 1 of 4

Buehler's Fresh Foods in Jackson Township. (Karen Schiely/Akron Beacon Journal)

By Betty Lin-Fisher and Jim Mackinnon

Beacon Journal staff writers

Details...

By the numbers

Buehler's Fresh Markets has 13 grocery stores in Ashland, Canton, Coshocton, Dover, Green (Portage Lakes area), Massillon, Medina (two stores), New Philadelphia, Orrville, Wadsworth and Wooster (two stores).

E&H Hardware Group operates 22 E&H Ace Hardware stores across Ohio. Akron-area stores include Medina, Orrville, Jackson Township and Plain Township.

After 88 years, Buehler's Fresh Foods soon will no longer be owned by the founding family.

But the new owners are extremely familiar with the grocery stores.

The 13 supermarkets are being sold to the company's eligible employees through an employee stock ownership program, or ESOP. A new company named Buehler's Fresh Foods will be formed and it will be led by three veteran Buehler's executives.

E&H Family Group, the Wooster-based parent company of Buehler's, said none of the stores' 2,100 employees will lose their jobs. The company said all stores will remain open with the same hours of operation.

"This was a decision we did not take lightly. Our generation of Buehlers are reaching retirement age and we think this a better option than selling the business to outsiders," Dan Buehler, E&H Family Group president and chief operating officer, said in a news release. "We want these supermarkets to be here serving customers and providing good jobs well into the future. There's no one better qualified than our own employees to carry on that mission. We believe that the transition to an ESOP is a winning solution for the Buehler family, our employees and the communities we serve."

Details of the Buehler's ESOP deal were scant; officials declined to give more information.

In a phone interview, Greg Buehler, one of the five members of the third generation who have been active in running the business and known as the "Buehler Boys," said the deal was signed Tuesday, announced Wednesday to employees and the public and will be completed in about a month.

While the Buehler Boys will no longer be involved in the grocery business, the family will continue to operate E&H Family Group, which owns and operates 22 hardware stores in Ohio under the E&H Ace Hardware name. The sale has no impact on that business.

"There's a lot to work through. We've spent 88 years building the business and they're intertwined. Separating them does not happen overnight," said Buehler, who is vice president of training and development.

Buehler said customers should not see any change.

"As much as things are changing, things are staying the same," he said.

The new ESOP grocery company will be run by Dan Shanahan, Buehler's president and chief operating officer since 2011; Rick Lowe, vice president of human resources of the E&H Family Group since 1977, who is married to a third-generation Buehler; and Mike Davidson, vice president of store operations since 2015.

New company leader Shanahan, who was the first non-Buehler brought in to run the grocery business, did not return a call seeking more comment. In a statement, he said "we are happy for the Buehler family and excited for the opportunity to write the next chapter in the great Buehler story."

Greg Buehler said four of the Buehler Boys are still active in the business (a fifth retired last year) and he declined to say whether there are any retirement plans for others. Two fourth-generation family members are involved in the E&H business, he said.

The family has grown the Ace business since the 1960s and "we still want to work and that's a good business for us to continue to nurture and grow," Buehler said.

The Buehler family will not participate in the grocery store's ESOP program, he said.

The grocery chain was founded in 1929 by E.L. (Ed) and Helen Buehler. After opening their first store in New Philadelphia, they moved the business to Wooster in 1932.

Positive reaction

On social media, reaction to the sale was mostly positive.

"I think this is great and shows some loyalty between employer and employee which sadly in most companies has gone by the wayside," said Ron C. Lee.

Diana Autry said, "Folk tend to take better care of things when it belongs to them vs. someone else."

But on Buehler's Facebook page, some employees questioned why they weren't

given more advance notice before the news was made public.

The move to sell to employees shows the business is “committed to being a community grocer,” said Kristin Mullins, president and chief executive officer of the Ohio Grocers Association in Columbus.

“They didn’t sell to a chain. They stayed an independent,” she said. “I think it’s a good thing for the Buehler’s family and the Buehler’s employees. ... Ohio is still very blessed to have a large number of independents.”

Jim Trout, president of fellow Akron-area family-owned grocer Acme Fresh Markets, declined to comment on the sale.

The nation’s largest ESOP is a supermarket chain, Florida-based Publix Super Markets, with 188,000 employees, according to the National Center for Employee Ownership. Three of the top 10 largest employee-owned U.S. businesses are supermarket chains, according to the organization. (Davey Tree in Kent is the largest Ohio ESOP and 13th largest in the U.S. with 9,000 employees.)

Niche arrangement

Chris Cooper, program coordinator at Kent State University’s Ohio Employee Ownership Center, said ESOPs are a niche business ownership arrangement. The center, which provides assistance to people and businesses exploring employee ownership, was not involved in the Buehler’s decision.

Typically, a family-owned business decides to convert to an ESOP if there are no clearly identified heirs, Cooper said. Family business owners may not want to sell to an outside buyer in part out of a desire that the business remain independent and also out of concern that employees retain their jobs, he said.

“Children may not want to go into the family business,” Cooper said.

An ESOP, which technically is a qualified retirement plan similar in ways to a 401(k), provides a number of tax breaks to both the business owner and subsequently to the employee owners, Cooper said.

“Those things are very appealing,” he said. “Employees don’t have to put up any of their own money,” he said.

Employees also don’t own the company directly, either, under an ESOP, Cooper said. Instead, a tax-exempt trust owns all the shares in the business.

“It’s an indirect form of ownership,” he said.

If a closely held business is a so-called Subchapter S corporation — the most

common form of corporation — meaning it passes income taxes through to its shareholders, then the tax-exempt trust means the ESOP business becomes income-tax free, Cooper said.

“That’s a nice competitive advantage,” Cooper said. “That can be very useful.”

(There are an estimated 4.7 million S corporations in the U.S., according to a trade organization.)

“This is the right thing to do for our family, our customers and suppliers, and I know my brother Gene and our mom and dad would agree,” Don Buehler, a second-generation Buehler who ran the business with his late brother Gene, said in a news release. He worked in the store as a child and after decades with the business stepped back from day-to-day responsibilities in June 1997.

“We have deep and long-standing relationships with thousands of customers and farmers in the communities we serve, and we owe them a debt of gratitude for their loyalty and support over the past 88 years,” he said.

Betty Lin-Fisher can be reached at 330-996-3724 or blinfisher@thebeaconjournal.com. Follow her @blinfisherABJ on Twitter or <http://www.facebook.com/BettyLinFisherABJ> and see all her stories at <http://www.ohio.com/bett>. Jim Mackinnon can be reached at 330-996-3544 or jmackinnon@thebeaconjournal.com. Follow him @JimMackinnonABJ on Twitter or <http://www.facebook.com/JimMackinnonABJ>.

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President and CEO of the Ohio Grocers Association

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