



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

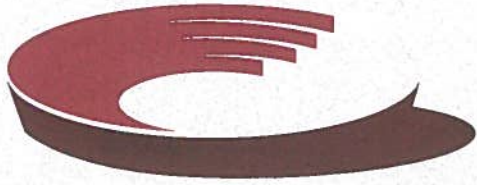
**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search  
<http://ageconsearch.umn.edu>  
[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*



The Retail Food Industry Center

## TRFIC NEWSLETTER

University of Minnesota  
Vol. 2 No. 1 Winter 1996

---

### GETTING TO KNOW US

We have just completed our first year and have launched an ambitious research and educational program. We have funded over a dozen faculty and their graduate students to conduct research. We have conducted site visits--both nationally and internationally. A strategic plan has been developed for accomplishing our research plan designed to develop the set of information needed to understand this industry. Our initial conclusion is that this is an industry in rapid and deep change. The wholesale functions are changing the most, but the behavior of all parts of the distribution chain is changing with information feedback and verticle integration /coordination.

### THE INDUSTRY

The advent of WalMart's efficient distribution system and an era of low inflation is changing the way this business distributes product called "Efficient Consumer Response." An industry-wide effort is under way to streamline inventories and cut the costs of moving and handling food products. Information technology (scanner data) and consumer trends are driving many decisions. Consumers are buying more food ready-to-eat, and the traditional grocery store products have a declining market share. Traditional productivity measures are being questioned and revamped to include the quality of customer service.

Consumers' quest for convenience, quality, and variety is changing shopping habits, store format and products offered. The industry is highly unionized and participates in much government regulation from food safety to worker safety to environmental laws.

Direct foreign investment in the U.S. is becoming notable, especially in retail food. U.S. chains now owned by foreign companies include:

- \* Royal Ahold VN (Netherlands), the largest company by net sales in 1995.
- \* Delhaize LeLion et.al. (Belgium) which owns Lion King, Inc.
- \* Tenglemann Warehandel Gesellschaft (Germany) which owns 53.8% of A&P.
- \* Invesco MIM PLC et al. (England) which owns Gaint Foods
- \* ITO Yokado Co. Ltd. (Japan) which owns 7-11 Stores

---

### GRÜNE WOCHE BERLIN 1996

---

A 12-person team sponsored by TRFIC and the Center for International Food and Agricultural Policy at the University of Minnesota visited the "Grüne Woche" ("Green Week") food industry trade show and participated in a program of activities in Berlin, January 18-22. Nine team members were faculty from the Department of Applied Economics, the Carlson School of

Management, and the Department of Food Science and Nutrition at Minnesota. Kai Robertson from the Food Marketing Institute, Chris Ritson, a Dean and specialist in food marketing at the University of Newcastle in England, and Brian Speilmann, an industry consultant on environmental issues, also participated.

The outstanding program was arranged by Harald von Witzke, a Professor at Humboldt University in Berlin. In addition to the trade show, the visit included a one-half day session with presentations by German food industry leaders, which included an executive from the Kaiser's supermarket chain in Germany. There were also several site visits. The most impressive was to the food emporium at the KaDeWe department store in downtown Berlin. The KaDeWe operation is a unique complimentary blending of food store and food service with an enormous array of the highest quality products from around the world.



A major focus of the visit was a workshop with research colleagues from Humboldt University and several other German universities and institutes to discuss collaborative research possibilities on food retailing in the U.S.

and Germany. As a result of this meeting, a comparative analysis of the structure for wages and benefits in the grocery industry in the two countries has been initiated and additional research collaboration is likely.

*Ben Senauer*

## **NEW STEERING COMMITTEE MEMBER**



**Industry Advisor,**  
**Leah Peters** joined our steering committee in January 1996. She comes with 20 years of experience in the food industry; 10 of those years as a V.P. with at Pillsbury. She has a

rare breadth of experience that started with a Masters degree in food science (1976, MSU). Her career began in product development where she led the development of the well known Pillsbury Toaster Strudel and other frozen pastry from bench through national distribution, among other things. She also led new products and quality assurance for Godfather's Pizza Restaurants, Inc. By the late 1980's she had moved into strategic management positions. In 1995 she left Pillsbury to share in developing and marketing a small private brand of chili (Howlin' Coyote) that she co-founded with her husband in 1989 and to consult with other food firms.

We are extremely pleased and lucky to have Leah on our steering committee. She is outspoken, knowledgeable about the industry and the people in it. Her energy and enthusiasm encourages us all. Welcome Leah.

## **SEMINARS IN WINTER 1996**

**March 11, 1996** -The Retail Food Industry Center and the Department of Food Science and Nutrition presented a Special Seminar featuring Karen Nordsiden and Ken Cogan of Lloyd's Register of Quality Assurance speaking on "ISO 9000 and the Global Food Industry."



**March 29, 1996** - The Retail Food Industry Center is presenting a unique seminar on "Retailing For The Future," featuring Tim Hammonds, President and CEO of the Food Marketing Institute in Washington D.C. at Earle Brown Center, St. Paul Campus, Room 62, 1:30 - (followed by a reception). FMI is a trade organization for the largest grocery chains and many independent grocery stores with over 1500 members.

### NEWSLETTER FEATURES

**Robert King** and **Paul Phumpiu** from the Department of Applied Economics are conducting a study on the impacts of "Efficient Consumer Response" on retail store operations. Over the next few months, they will be interviewing more than thirty managers from a wide range of stores. The interviews will focus



on changes in inventory management and ordering, store layout and product assortment, and pricing and promotion. Dr. King is the E. Fred Koller Professor of Agricultural Management Information Systems and Director of Graduate Studies in the Department of Applied Economics. Mr. Phumpiu, who is originally from Peru, is a Ph.D. student in the Department of Applied Economics.

**Aks Zaheer**, Professor, and **Shawn Lofstrom**, Ph.D. graduate student in the Department of Strategic Management and Organization in the Carlson School of Management are studying the transformation taking place in the relationships between manufacturers, distributors and retailers in response to increased competition and Efficient Consumer Response (ECR) implementation. The changing relationships between manufacturers, distributors and

retailers significantly affects ways of doing business. The specific practices adopted by the partners in the distribution chain have implications for performance, which they will also systematically study.

### SUMMER CONFERENCE FOOD PRODUCTS

On June 28-29, 1996, we will be cosponsoring a conference with the International Agricultural Trade Consortium (IATC) in Bloomington, MN. It will feature several speakers from universities in the U.S. and Canada who are experts in the economics of trade in food and agricultural products.

This conference will focus on the trade of processed foods, direct foreign investment in this industry and verticle integration. For more information and registration materials, contact Laura Bipes, 231 COB, 1994 Buford Ave., St. Paul, MN 55108 (612-625-1759)

### DID YOU KNOW?

*There are about 180,000 food stores in the U.S. They are classified in a variety of ways, but the net annual sales and number of items (sku's) on the shelves play a big part in their identification. Forty percent are supermarkets and 17% are convenience stores. Gas/grocery and delicatessens have increased their numbers by 24% and 49% respectively since 1987.*

*The average grocery store takes in \$385.8 million each year (1995). It carries over 30,000 sku's.*

*In the spring of 1995, the five largest publicly held food companies in the U.S. by net sales were WalMart Stores, Inc., Royal Ahold NV, Kroger Co., American Stores Co., and SuperValu Inc.*

## STEERING COMMITTEE

Jean Kinsey  
Director  
The Retail Food Industry Center  
Applied Economics

Frank Busta  
Department Head  
Food, Science & Nutrition

James Houck  
Department Head  
Applied Economics

Michael Houston  
Associate Dean of Faculty  
Carlson School of Management

Rob King  
Director of Graduate Studies  
Applied Economics

Alfie Marcus  
Department Chair  
Strategic Management Organization  
Carlson School of Management

Leah Evans Peters  
Industry Advisor  
2824 Venton Boulevard  
Minneapolis, MN 55416

Ben Senauer  
Director, Center for International  
Food and Agricultural Policy  
Applied Economics

Mavis A. Sievert  
Executive Secretary  
The Retail Food Industry Center  
Applied Economics

Craig Streich  
Division Operations Supervisor  
Cub Foods

Andy Van de Ven  
Professor  
Strategic Management Organization  
Carlson School of Business

---

Put me on your Mailing List for Seminars  
\_\_\_\_\_, Newsletters \_\_\_\_\_, and other Center  
publications \_\_\_\_\_. Name, Address, and  
Phone No.

---

---

---

---

---

### TRFIC ADDRESS

The Retail Food Industry Center  
University of Minnesota  
Applied Economics Department  
317 Classroom Office Building  
1994 Buford Avenue  
St. Paul, MN 55108-6040  
Jean D. Kinsey, Director, 612-625-2744  
Mavis A. Sievert, Ex. Secretary, 612-625-7019  
Fax: 612-625-2729  
Web Page # <http://rhetoric.agri.umn.edu/~trfic>