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The Retail Food Industry Center

TRFIC NEWSLETTER

University of Minnesota
Vol. 2 No. 2 Fall 1996

FROM THE DIRECTOR

The Retail Food Industry Center has developed a research team of more than thirty faculty and graduate students from several departments at the University of Minnesota. (See page 3 for a list of research projects.) We meet twice each month to discuss our work and findings. The various questions being looked at will soon be rolled into a national survey where we will learn how the adoption of various technologies and management practices affect firm productivity. We are also interested in how productivity is and should be measured in the service-oriented food industry.

A warm welcome to our new Assistant Director, Dr. Ronald Larson. He brings industry experience and teaching and research credentials that will strengthen our work. Also, welcome back Mavis Sievert. Our Executive Secretary has made a miraculous recovery from a serious surgery. A special thank you to Judy Wirebaugh who capably filled Mavis' shoes over the summer.

NEW ASSISTANT DIRECTOR

Dr. Ronald Larson is the new assistant director for The Retail Food Industry Center. He received bachelors and masters degrees from the University of Minnesota. Ron spent most of the last 10 years either working in or studying the food



industry. He was a marketing researcher at Kellogg's and Oscar Mayer before starting his Ph.D. program at Purdue University. While at Purdue, he helped with several educational programs for food retailers and conducted research on food marketing. Prior to his return to the University of Minnesota, Ron was an Assistant Professor and Extension Specialist at North Carolina State University where he taught agribusiness management on campus and developed marketing and management programs for many food and agricultural business people.

FALL SEMINAR

On October 22, Herman Cain, the Chairman and CEO of Godfather's Pizza, Inc., will be speaking on "Leadership and Changes in the Food Service Industry." His presentation will be from 2:00 to 3:30 p.m. at the Earl Brown Center on the St. Paul Campus of the University of Minnesota. A reception will follow the program. Mr. Cain is the former President of the National Restaurant Association, a recent Chairman of the Kansas City Federal Reserve Bank, and the author of a new book, *Leadership is Common Sense*. The program promises to be both informative and provocative.

Other presentations sponsored by the Center during 1996 included: Karen Nordsteden and Ken Cogan of Lloyd's Register Quality Assurance ("ISO 9000 and the Global Food Industry"), Tim Hammonds of the Food Marketing Institute ("Retailing for the Future"), and Laura Donzelli of Willard Bishop Consulting, Ltd. ("Activity-Based Costing Technologies").

BOARD OF ADVISORS

The Board of Advisors for The Retail Food Industry Center will meet in St. Paul on October 10. Each board member is a food industry leader with a unique perspective on industry issues. The Board will guide the Center on how to interact with the industry and produce useful research results and educational programs. Michael W. Wright, CEO of SuperValu, Inc., chairs the Board. Other members include:

- Sidney Applebaum (President, Rainbow Foods)
- H. Brewster Atwater, Jr. (retired Chairman and CEO, General Mills, Inc.)
- John Block (President, National-American Wholesale Grocers' Association)
- Ray A. Goldberg (Moffett Professor of Agriculture and Business, Harvard Business School)
- Tim Hammonds (President and CEO, Food Marketing Institute)
- David Jenkins (retired Chairman, Shaw's Supermarkets, Inc.)
- Joel W. Johnson (Chairman, President, and CEO, Hormel Foods Corp.)
- Liz Minyard (Co-Chairman, Minyard Food Stores, Inc.)
- C. Manly Molpus (President and CEO, Grocery Manufacturers of America)
- Ron Pederson (Chairman and CEO, Marketing Specialists Sales Co.)
- Dale Riley (President and COO, Byerly's, Inc.)
- Stephen W. Sanger (Chairman and CEO, General Mills, Inc.)
- Roger E. Stangeland (Chairman, The Grand Union Company)
- Paul S. Walsh (CEO, The Pillsbury Company)

RECENT SITE VISITS

Faculty members and students affiliated with the Center continued visiting with experts to learn about the food industry. In July a group met with Willard Bishop Consulting and visited Jewel, Byerly's, and Dominick's stores in the Chicago area. In August, faculty toured several stores and the warehouse

operations of H. E. Butt in San Antonio, Trader Joe's in Pasadena, and Kroger in Cincinnati. Earlier visits have included Kroger and SuperValu facilities. These visits help us learn food industry practices and cultures and identify research topics on productivity issues.

WORKING PAPERS

The Center has initiated a working papers series:

- 96-01 "Estimation of Household Brand-Size Choice Models for Spaghetti Products with Scanner Data" by Changwon Park and Ben Senauer.
- 96-02 "Food Marketing in an Electronic Age: Implications for Agricultural Producers" by Jean Kinsey and Ben Senauer.
- 96-03 "Changes in Retail Food Delivery: Signals for Producers, Processors, and Distributors" by Jean Kinsey, Ben Senauer, Robert King and Paul Phumpiu.
- 96-04 "Competitive Analysis of U.S. Food Processing Plants" by Shekhar Jayanthi, Bart Kocha, and Kingshuk K. Sinha.

Demand for these papers has been particularly strong. Contact Mavis A. Sievert [Phone: (612) 625-7019 or E-mail: msievert@dept.agecon.umn.edu] for copies.

FOOD MARKETING INSTITUTE COURSE

Beginning in 1997, the Center will host a Food Marketing Institute (FMI) educational program, The Professional Management Course. It will focus on leadership, personnel, and customer relations to help supermarket managers develop and fine-tune their management skills. A program featuring speakers who are leaders in their prospective areas is being developed for this course. This week-long program was previously held at Hillsdale College in Michigan.

RESEARCH PROJECTS

The Center has funded research that addresses many topics of interest to the food retailing industry such as worker safety, wages and labor practices, efficient consumer response (ECR), consumer preferences, store operations, and plant productivity.

Projects currently underway include:

- ◆ The Effects of ECR Implementation on Internal Organizational Structure and Inter-organizational Relationships in the Retail Food Sector (Phase I and II) -- Professor Robert King, Dept. of Applied Economics
- ◆ Productivity and the Transfer of Organizational Knowledge in the Retail Food Industry -- Professors Srilata Zaheer and Diane Liang, Dept. of Strategic Management and Organization
- ◆ Changing Interfirm Relationships in the Retail Food Industry: The Role of Structure and Process, and Implications for Performance -- Professor Akbar Zaheer, Dept. of Strategic Management and Organization
- ◆ An Analysis of the Structure of Earnings in the Retail Foodstore Industry -- Professors Jay Coggins and Ben Senauer, Dept. of Applied Economics
- ◆ The Organization of Work and Human Resource Practices in the Retail Food Industry -- Professor Avner Ben-Ner, Industrial Relations Center
- ◆ The Acquisition and Development of Competence in Efficient Consumer Response and Environmental Management in the Retail Grocery Industry -- Professor Alfred Marcus, Dept. of Strategic Management and Organization
- ◆ Examining Vertical Arrangements in the Retail Food Industry -- Professor Akshay Rao, Dept. of Marketing and Logistics Management
- ◆ Human Resources and Labor Relations in Supermarkets -- Professor John Budd, Industrial Relations Center
- ◆ Models for Competitive Evaluation of Manufacturing Plans in the Food Processing Industry -- Professor Kingshuk K. Sinha, Dept. of Operations and Management Science
- ◆ Shelf Labeling of Organic Foods: What is the Effect on Sales Volume and Consumer Perceptions -- Professor Marla Reicks, Dept. of Food Science and Nutrition
- ◆ Consumer and Market Basket Profiling and its Effects on Store Formats -- Professors Jean Kinsey and Ben Senauer, Dept. of Applied Economics

NATIONAL NEEDS FELLOWSHIPS

The Applied Economics Department has been awarded three USDA National Needs Fellowships for new doctoral students. The research and study program, "Managing the Retail Food System Supply Chain," combines rigorous training in economics and a business administration minor emphasizing strategic management or marketing. These three-year fellowships provide each student with a stipend of \$17,000 per year plus health insurance and tuition. This allows students to focus their attention on course work while preparing to conduct research on the economics of the food retailing industry. A national search is planned to identify the best students for these fellowships. Anyone interested in applying should contact Dr. Robert King [Phone: 612-625-7028 or E-mail: rking@dept.agecon.umn.edu].

WORLD WIDE WEB SITE

A World Wide Web site has been developed for The Retail Food Industry Center. The site, [located at: <http://rhetoric.agri.umn.edu/~trfic/>], contains a description of the center along with information about seminars, research projects, publications, coursework, the TRFIC reference library, and newsletters. Links to other food industry sites and opportunities for interaction with visitors are provided. The site has had more than 600 visitors since May 1996.

DID YOU KNOW?

The median size of new supermarkets was 48,200 square feet in 1994 and 39,800 square feet in 1984.

One average, consumers make 2.2 trips to the supermarket each week. Over 13% make at least 4 trips each week.

In 1995, manufacturers introduced 16,863 new food products, three times the number introduced ten years earlier.

Between 1974 and 1994, the percentage of disposable personal income spent for food at home fell from 10.1% to 6.8%, while the percentage for food away from home increased from 3.7% to 4.5%.

Average unit sales in 1992 was \$501,000 for full-service restaurants and \$473,000 for limited-service (fast-food) restaurants.

About 45% of eating-and-drinking places are sole proprietorships or partnerships.

About 70% of full-time workers make their major food shopping trips on Friday, Saturday, or Sunday. Only 41% of people over age 55 make their major shopping trips on those days.

The average family spent \$29 per person per week on groceries in 1995. Households with 5 or more people spent \$21 per person per week, while single person households spent \$44 per week.

Please add me to the Center's Mailing List for Seminars _____, Newsletters _____, and Other Publications _____.

Name, Address, and Phone Number:

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, Exec. Secretary, 612-625-7019
Fax: 612-625-2729

Rob King
231j COB