



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

*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
Advancing Knowledge About Processing,
Distribution, Sales, and Food Service

TRFIC NEWSLETTER

University of Minnesota

Vol. 3 No. 3 Fall 1997

Praise from Peers A "Distinguished Fellow"

He can baffle you with economic logic, but he is equally likely to talk about his days on the department softball team, his peddle steel guitar lessons, his enthusiasm for crossword puzzles, or the real price of tickets at a baseball game.

He is James P. Houck, head of The Department of Applied Economics since 1990, who has been named a Distinguished Fellow of the American Agricultural Economics Association (AAEA).

Dr. Houck earned his Ph.D. from the University of Minnesota in 1963. Since then, he has worked at Harvard University and Pennsylvania State University and has been a visiting professor at several other universities around the world. His work in economic analysis has relied heavily on statistical tools and models of prices and markets, and he has written extensively about food and agricultural policy and international trade.



James P. Houck

In 1981-83, he was editor of the *American Journal of Agricultural Economics*. He was on the AAEA executive board several years and was president of the association in 1993. Dr. Houck is known for his writing, wit, insight and leadership. At the ceremony on July 29, 1997, where he was officially honored, part of the introduction read:

"Houck's central objectives are to perform solid and useful work and then write about it in a clear, well organized and concise way. He has adopted the following credo in his

work which he recommends to others: 'Everything should be made as simple as possible, but no simpler'."

Dr. Houck is a founding member of the TRFIC Steering Committee. We congratulate him and appreciate his continued active support of the Center. ●

Funds For Small Business Research

The United States Department of Agriculture has funding for research and development for rural small businesses that are developing technologies to enhance the marketability and/or exportability of value-added agricultural commodities. Small food companies developing a market system or a real-time information system or assessing marketing opportunities may want to look into this source of funds.

Small Business Innovation Research (SBIR) grants encourage the businesses to team up with a college or university faculty, but the business must conduct at least two-thirds of the research. The 1998 SBIR budget is more than \$10 million, so applicants are welcome. If you are interested, contact Charles F. Cleland, USDA, at 202-401-4002. In Minnesota, contact Ms. Pat Dillon at 612-347-6751.

Popular Course on Food Marketing

"Going for Gold: How to Build Winning Food Marketing and Sales Strategies" will be held on October 21-22 at the Earle Brown Center, University of Minnesota. The Retail Food Industry Center is working with R-TECH Laboratories, a business unit of Land O'Lakes, Inc., to repeat this popular short course. Topics on the program include:

- Preparing to Market a Food Product,
- Determining the Best Price,
- Finding the Right Channels for your Product, and
- Building Sales with Merchandising.

For more information, call Mavis Sievert at 612-625-7019.



DIRECTOR'S NOTEBOOK

Faster Food

Grocery stores are scrambling for their share of America's food budget. As fewer of us cook and more of us buy

ready-to-eat or ready-to-heat food, the competition with fast-food and take-out restaurants is heating up. Indeed, everyone in the business is trying to figure out how to satisfy our desire for instant gratification at dinner time — without dirty dishes if possible. An explosion of acronyms such as RTE, RTH, HMR (home-meal replacements) MS (meal solutions) signals the multitude of efforts underway as well as the confusion about exactly what consumers want.

The new working paper by Ron Larson (see abstract on page 3) and a growing number of activities at the Retail Food Industry Center — including several research projects, classes, and public-information activities — focus on these developments. Nearly 30 faculty and graduate students from six departments and three colleges at the University of Minnesota are involved here. And we are in touch with faculty around the country who are participating in special research projects supported by the Sloan Foundation, and with researchers around the

world who are looking at the retail food market in their respective countries. It's an exciting time, and many changes will be observed in the months ahead.

Faculty Retreat

Twenty faculty exchanged research findings and knowledge about the retail food industry at a retreat September 15. It was a very exciting and productive day, one filled with promise of new initiatives, new reports, and the publication of results from current studies. The retreat was held in a local Ramada Inn, thanks to our Executive Secretary, Mavis Sievert, who "won" a full day's worth of meeting rooms and food for a group our size.

Assistant Director Ron Larson has been busy speaking at various meetings about home-meal replacement and new developments in food and agricultural marketing. He has also prepared a video tape about the Center and changes in the retail food industry, which was played continuously at the Minnesota State Fair in the AgriLand Building.

As TRFIC becomes known around the country for its ability to speak about the retail food industry, we need to hear from our *Newsletter* readers. If there is something we can do or do better, please let us know. ●

Land O'Lakes Executive Joins Steering Committee

Susan Kujava, business group manager for the Foodservice Division at Land O'Lakes, has joined the TRFIC steering committee. Susan comes with more than 20 years of food service industry experience. She has worked for Land O'Lakes for the past 14 years, marketing new products and managing established brands in the butter and cheese categories. In her current position, she is involved with strategic customer marketing, efficient foodservice response (EFR), customer strategy development, and with the design and development of information technology. She is also the company's marketing liaison between its Minnesota headquarters and its new cheese operations in Poland.

Susan, who joined the TRFIC Steering Committee this past March, has a Bachelor of Science degree in food and nutrition/dietetics from Iowa State university and an MBA from St. Thomas University. She lives in Minneapolis with her husband and two children. She enjoys cooking, travel, and golf. ●



Highlights of Working Papers

Competence Acquisition in Retail Food:

Environmental Practices

Alfred Marcus, Brian Spielman, and Lu Qu

Retail stores that can generate new ideas are more likely to realize higher sales per square foot. Interviews with retail food store managers and a subsequent survey about environmental practices by retail stores indicate that a well developed ability to learn leads to greater openness to new ideas, concepts, methods, and trends that have both business and social significance. Such learning skills enhance retailers ability to lower costs and respond more quickly to customer needs and increase their ability to manage in ways friendly to the environment. Effectiveness in both areas has attracted attention among food retailers in their efforts to compete with alternative distribution channels.

In this study, ties with suppliers did not lead to higher sales per square foot, but did foster improved environmental practices and more consumer education. Technical assistance with environmental issues helped stores develop practices perceived as important by the wider society.

Key Developments in the Food Distribution System

Ron Larson

Sales gains by supercenters, membership clubs, and convenience stores — plus the growing popularity of foodservice, the expansion of private-label products, and new consumer interests and concerns — are driving many changes in food retailing. Food marketers who have traditionally focused on volume as the key to growth are paying closer attention to lowering the cost and increasing the

overall efficiency of the food distribution system in order to deliver better value to the customer. This paper reviews these developments and describes a number of important implications for the retail food industry.

Coupons as a Horizontal and Vertical Strategy

John M. Connor

After rising for three decades, the number of consumer coupons issued began to decline in 1993. Meanwhile, redemption rates have declined from five percent in 1980 to only two percent in 1994-95. This paper surveys the principal findings of studies concerning the competitive effects of coupons. Traditional theories have focused on the effects of coupons on "horizontal" competition between manufacturers, whereas more recent work has concentrated on the effect of coupons on "vertical" relations between manufacturers and retailers, i.e., on how the pricing strategies of one (issuing coupons) affect those of the other (in-store specials).

The paper presents data on trends in numbers, face values, redemption rates, total promotional costs, and international usage of coupons. The paper analyzes practices in the ready-to-eat cereal industry, which spends more on coupons at higher redemption rates and provokes greater consumer response than any other food segment.

To Obtain Working Papers

As soon as Working Papers are printed, they may be ordered for \$22.50 per copy. Ninety days after Working Papers are printed, they will be available on our Web Site [<http://rhetoric.agri.umn.edu/~trfic/>] and can be downloaded in pdf (Acrobat) format and printed at no cost. To obtain an order blank for all working papers or to be notified when new ones are published, contact Mavis Sievert at 612-625-7019.

New Research

Two new research projects have been funded by the Center:

- "Retail Food Consumption and Marketing in Different Cultures and Stages of Economic Development," by Dr. Michael Houston, Department of Marketing and Logistics Management, Carlson School of Business, University of Minnesota.
- "Decomposing Changes in the Retail Food Wage Distribution, 1983-1993: A Semi-Parametric Analysis", by Drs. John Budd and Brian McCall, Department of Industrial Relations, Carlson School of Business, University of Minnesota.

CALENDAR ALERT

TRFIC Seminar Series for 1997-98

Four public seminars have been scheduled for the current academic year, two in Fall quarter and one each in Winter and Spring. They are:

- Whitney MacMillan (former chairman and CEO of Cargill), "Risks and Rewards of Taking Your Brands Overseas", Earle Brown Center (St. Paul Campus), 2:00 to 3:30 p.m. on Tuesday, November 4.
- Willard R. Bishop, Jr., President of Willard Bishop Consulting, Ltd., "What's Happening in Food Retailing: The Lessons Being Learned," Classroom Office Building, Room 119, (St. Paul Campus), 2:00 to 3:30 p.m., Tuesday, November 18. He plans to discuss several topics, including the accelerating life cycle of retail formats and the expanding definition of food.
- Jeff Noodle, executive vice president, wholesale foods SuperValu at the Earl Brown Center (St. Paul Campus), 2:00 to 3:30 p.m., Wednesday, February 4, 1998 (title to be announced),
- John Block, president, Food Distributors International Sheraton Minneapolis Metrodome Hotel, 11:30 - 2:00 p.m., Tuesday, May 5, 1998 (title to be announced). This seminar is offered jointly with the Twin Cities Agricultural Round Table luncheon program.

A reception will follow the first three seminars. Invitations to the seminars will be mailed prior to each seminar. If you want to be on the invitation list, please call Mavis Sievert 612-625-7019.

DID YOU KNOW?

Gender Gaps and Other Interesting Findings

How We Shop

- The average consumer spent three hours per month shopping in 1996, according to Kurt Salmon Associates. More than half plan to spend less time shopping this year.
- According to the Direct Marketing Association, telephone sales totaled \$412.9 billion in 1996, a record high.

Where We Eat . . . and What

- A National Restaurant Association survey found that the typical person, over seven years' old, consumed 4.1 commercially prepared meals and 14.4 privately prepared meals per week in 1996. The remaining 2.5 meals were skipped. More than 60 percent of the skipped meals were breakfasts.
- In an American Dietetic Association (ADA) survey, 27 percent said they

pay very close attention to product labels, down from 33 percent in 1995.

- The ADA survey also found that 35 percent believed vitamin supplements are necessary to ensure personal health, up from 28 percent in 1995.

Reports from the Gender Gap

- According to the FMI, 43 percent of men say they spend 30 minutes or less in the supermarket during an average visit. Only 25 percent of women say they spend 30 minutes or less.
- One-third of women say they look in the newspaper for grocery specials almost every time they shop. Only 19 percent of men say they do.
- Although still high, concern about the nutritional content of food has declined: 41 percent of men and 56 percent of women are very concerned. Both figures are down from 1996, according to a 1997 Food Marketing Institute (FMI) survey. Sixty-five percent of men rate nutrition as very important in food selection, while 81 percent of women

rate nutrition as very important.

- Sixteen percent of men say they usually use coupons, but 26 percent of women say they do.
- Thirteen percent of men say they usually compare prices at different supermarkets; 23 percent of women say they do.

Also Noted

- The average wholesale firm in 1996 had 47 employees, including nine full-time sales reps, six drivers, seven administrative hourly employees, and 18 hourly warehouse employees, made more than 2,000 deliveries per month. But, says the American Wholesale Marketers Association, many grocery wholesalers are much larger than the average.
- While supermarkets around the country have been adding peripheral goods and services such as post offices and banks, some Safeway stores in Washington, DC, have taken the trend a long step farther. They have added community police stations.

Please add me to the Center's Mailing List for:

- Seminars
 Newsletters
 Short Courses
 Other Publications

Name _____

Address _____

City/State/Zip _____

Phone Number _____



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

Web Site: <http://rhetoric.agri.umn.edu/~trfic>

Rob King
 130e COB