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The Retail Food Industry Center
Advancing Knowledge About Processing,
Distribution, Sales, and Food Service

TRFIC NEWSLETTER

University of Minnesota

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AT SUMMER LEADERSHIP COURSE

Head of Lund's/Byerly's Cites Keys to Leadership

"Leadership is not about titles," said Tres Lund, who, as President, Chairman and CEO of Lund Food Holdings, Inc., has three impressive ones. "It's about respect, integrity, humility, rewarding others and letting go of some of your own ideas," Lund told more than 30 mid-level managers from supermarkets around the county and the Dominican Republic this past summer.

The group gathered at Riverwood Conference Center in Monticello, MN, Sunday, June 21, to begin a five-day program called "Managing the Total Store: A Leadership Course," sponsored by the Food Marketing Institute and TRFIC.

"I have learned," Lund said, "that when I let go of a project, others take ownership of it, make it happen, and are proud of the results. They make it better than it would have been had I tried to micro-manage it."

To illustrate his point, Lund showed a video that was made when Lund acquired Byerly's, another major Twin Cities supermarket chain. The goal was to make the employees in the stores of both companies proud of their work, secure in their positions, and willing to participate in whatever changes lie ahead. The project was picked up by those in charge of communications, and the staff at each store put together film clips of their store and employees.

Lund and Dale Riley, former President of Byerly's and now Executive Vice President and COO of Lund Food Holdings, were shown bagging groceries, drinking coffee, and talking about how the new company would take the best from each of the former companies, make better stores, and grow the company. Making the employees part of the goal to grow Lund's and Byerly's solicited their ownership in the company and built loyalty and an enthusiastic



Tres Lund

embrace of change.

One of the changes made was to centralize the procurement of fresh produce, a move that now delivers products three days fresher to customers. To insure the enthusiasm and participation of the produce managers, the founder and former owner of Byerly's, Don Byerly, was brought in to work with experienced employees. As a follow-up, Dale Riley makes a point of calling on each of those managers regularly to see how they are doing,

what problems they have, and what suggestions they have for offering even better produce. This careful and constant attention to the needs of personnel is a hallmark of the leadership style in the Lund's and Byerly's Stores, Lund said.

"Caring about those who work with and for you; respecting and building their dignity is what it means to be a leader," said Tres. "Gaining employees' enthusiastic support is vital to a growing and energetic company or organization. It builds pride, self-respect and a sound base for future profits."

As Irwin Federman, President and CEO of a West Coast consulting firm once said, "This business of making another person feel good in the unspectacular course of daily comings-and-goings is, in my view, the very essence of leadership."

The acquisition and merger of two competitors with distinctive cultures and well earned popular identities into one organization is not an easy task even in the best of circumstances, which this case arguably was. It required the good sense and sensitivities of two remarkable leaders, Tres Lund and Dale Riley. The two men share a vision with owners, employees, and customers that is extraordinary. We are proud to have them in our front yard. ■

DIRECTOR'S NOTEBOOK



Jean D. Kinsey

A New Award

The first Director's Award for Outstanding Service to The Retail Food Industry Center was presented to Craig Streich, Corporate Director of Franchise for CUB Foods, at our annual Board

of Advisors meeting on October 22.

Craig joined the Steering Committee in 1995 and brought with him 32 years of store operations experience and knowledge. He has faithfully attended monthly meetings; he has consistently given us valuable advice about procedures and about industry trends; he has facilitated site visits and conversations with store managers for faculty and students; he has quietly promoted our work outside the University, and he is always, always, in good humor, and of

good will. Craig truly deserves this first award for outstanding service to TRFIC. We thank him for his unstinting support, and we look forward to continuing to work with him.

I am pleased to establish a tradition at TRFIC with this award. A maximum of two of them will be presented each year to someone from the industry who has been especially helpful to the Center over the past year or two. The award may be for particularly astute advice, for advice and help over an extended period of time, for allowing researchers or students to use physical facilities or data for research purposes, for mentoring a student, for other service or "all of the above."

TRFIC faculty and students, and Steering Committee members may make nominations to the Director at any time, but should make them by September 1 of each year to qualify the nominees for awards to be announced at the fall Board of Advisors meeting. Recipients will receive a plaque citing their outstanding service at the annual Board of Advisors meeting. Board members are not eligible for nomination. ■

New Research Associate Joins TRFIC

Paul Wolfson is our new full time Research Associate at TRFIC, working with The Supermarket Panel. Paul has a B.A. in mathematics from the University of Chicago and a Ph.D. in economics from Yale University. Between college and graduate school, he worked for a small software development firm located in New York's financial district. He comes most recently from the Carlson School of Management at the University of Minnesota, where he has been teaching business statistics in the Operations and Management Science Department. He has also taught economics at the University of Wisconsin-Milwaukee, and both economics and statistics at the Kellogg Graduate School of Management at Northwestern University.

Paul will be working with the data collected from the Supermarket Panel, creating



Paul Wolfson

benchmark reports, working with faculty and students, and analyzing the results of the panel data. Supermarket Panel data is already coming in, and it is exciting to look at the

results. We intend to add more stores to the panel, but we have a great start, towards establishing a long-term data base. Any interested store or company is encouraged to contact Jean Kinsey, Jon Seltzer, or Paul Wolfson. We welcome Paul and look forward to working with him. ■

Highlights of Working Papers

Food Consumption Changing in Poland

Michal Sznajder and Benjamin Senauer

Changes in size of the population; birth, death, marriage and divorce rates; the age distribution, education and household types, along with the transition to a market economy in 1989, have caused substantial changes in food consumption in Poland. In 1988, the average household budget share for food was 44.6 percent. It reached 55.3 percent in 1990 at the beginning of the transition to a market economy and fell to 37.8 percent in 1996.

Under central planning, consumers had to adjust to what was made available, and many people relied on home-produced food. The food-marketing system was producer, not consumer driven. Three government-owned chains dominated grocery retailing. When the right to own private businesses was restored, many new food retailing stores were opened. In 1996, final sales by food retailing stores in Poland were about \$100 billion, with small shops accounting for a large portion of that total.

However, foreign-owned grocery retailers have been expanding in Poland and had sales of \$5 billion in 1997. Many of the major Western European food retailers—such as Ahold, a major Dutch company, and Tengelmann, a large German firm—are now operating in Poland, and the foreign-owned chains have opened larger stores—supermarkets and even hypermarkets. Meanwhile, U.S. fast food companies, such as McDonald's, have also entered the Polish market, opening numerous outlets in Poland during the 1990s. Fast food is very popular, especially among young Poles.

An aging population and the major gap in education between urban and rural areas are affecting food consumption in Poland. In the next 20 years, the number of children will decrease radically, whereas the number of people over 64 years of age will rise significantly. Education levels are much lower in rural than in urban areas.

Consumer Response: The Minnesota Case

Sara M. Ashman and Robert P. King

The convenience-store (C-Store) industry is changing. As new information technologies, new business practices, and new retail strategies are developed, C-Stores are adopting Efficient Consumer Response (ECR) strategies, and it's paying off.

Data for this study were collected with a mail survey distributed to more than 250 Minnesota C-Stores ranging in size from single, independently owned stores to chains with more than 100 stores. The survey collected data on information systems, ordering, receiving, inventory management, and pricing practices, all of which are important to C-Store operations and the implementation of ECR. Findings are presented from three perspectives:

1. Location: Rural C-Stores, which often meet customer needs that were once met by small supermarkets, reported a wider range of products and more services than C-Stores in urban and suburban locations. However, rural stores had the lowest adoption rate for practices related to the ECR initiative. Urban chains coordinated business practices with suppliers to a greater degree than suburban and rural chains.

2. Chain size: Larger chains are more likely to have implemented the more costly technological practices than are small chains. This was expected since large chains can spread the fixed costs of ECR adoption over a larger number of stores. Larger chains also cooperated and communicated more with their suppliers than small chains. Again, this was expected, since larger chains can economize on transaction costs involved in maintaining these business relationships.

3. ECR practices: ECR adoption and superior performance were positively related. Having adopted six to nine practices was positively correlated with higher inside and outside sales per square foot of selling area and higher annual inventory turns. However, it was not clear whether there was a causal relation-

ship in either direction.

Minnesota C-Stores appear to be smaller but more productive than the national average. Overall, it appears ECR is just beginning to impact the Minnesota C-Store industry. Nonetheless, regression analyses confirmed ECR practices are positively related to store sales performance and those stores adopting the most practices had higher productivity measures. The results from this survey can serve as a baseline for future research monitoring the adoption of these innovations and assessing their impact on productivity and profitability.

Concentration and Consumer Impact: A Review of the Evidence

Jean Kinsey

"How does the increasing concentration of ownership of retail and wholesale food companies affect consumers?" Does it lead to higher or lower food prices, better or worse service, more or less choice between stores and among products, and more or less employment and earning opportunities in the food sector?

Since the early 1980's the percent of total sales captured by the top four supermarket chains has gone from 18 to 22 percent; food prices decreased, food expenditures relative to income and employment and earnings have all fallen modestly. Choice and service are harder to measure.

Competition at the local level appears to be alive and well since numerous types of food retailers offer attractive substitutes for food purchased in a grocery store. The relationship between concentration of ownership, prices, and profits has been studied and examined for several decades using various economic and business theories and several sources of data. These studies provide a perspective on the consolidation and shifts in power that appear to be taking place. Results of many of these studies are summarized in this paper.

Findings focus on two major ques-

continued on page 4

Working Papers, continued from page 3

tions: 1) Does the concentration of retail food firms in local markets increase food prices and firms' profits? 2) Has the retail sector become relatively more profitable and, thus, more powerful than the manufacturing sector? The results are mixed, especially with regard to price. Concentration tends to be associated with both increased and decreased prices. Recent work indicates prices tend to increase in dry grocery items, but not in fresh and chilled foods. Concentration at the wholesale level may lower food prices. Profits of the parent company generally rise with concentration, but the reason is unclear. Most studies conclude it is due to lower costs made possible by economies of scale in procurement or vertical coordination with suppliers and better use of information technology. There was no evidence that retailers' profits are increasing faster than food manufacturers' profits.

Who Eats What, When, and from Where?

Andrea Carlson, Jean Kinsey,
Carmel Nadav

The popular impression that over half of our food does not come from a retail food (grocery) store is based on food expenditure data and is misleading. This research set out to learn where people obtain the food they report eating and to determine whether there are significant differences between people who buy most of their food from retail food stores and those who not.

Research on food consumption often focuses on household expenditures at retail food stores and various types of restaurants, but tracking the volume of various types of foods purchases from various retail places is not well established. The Continuing Survey of Food Intake of Individuals survey for 1994 shows that 72 percent of the volume of food consumed is from retail food

stores. Age has the largest impact on where people shop, and when and how many meals they eat. Income and household composition have relatively little impact.

Our analysis grouped consumers based on where they obtained their food. The largest cluster, nearly half of all individuals, were labeled Home Cookers. They obtained 93 percent of their food from stores, and account for 59 percent of food sold from retail food stores. The High Service cluster is only 10 percent of the sample, but its members consumed 50 percent of the food sold in restaurants and only six percent of food sold by grocers. Looking at diets of people in the various clusters revealed that those in the Fast Food clusters ate less fat than the average of the sample while High Service (restaurant) users ate more fat. Home Cookers ate less than the average amount of meat, eggs and vegetables.

Board of Advisors Increased to 21

We welcome eight new members to our Board of Advisors this year. Their enthusiasm and interest in the Center's work energized our recent Board meeting and encouraged our faculty and students. The Board is chaired by Michael Wright, President and CEO of SUPERVALU, Inc. The members are listed below with the new members starred.

Michael W. Wright,
President and CEO
SUPERVALU, Inc.
Chairman of TRFIC Board of Advisors

Sidney Applebaum
formerly with Holiday Foods

H. Brewster Atwater, Jr.
Formerly with Cargill

John Block, President
Food Distributors International

*John Farquharson,
Chairman and President
International Food Safety Council

*Jack Gherty, President and CEO
Land O'Lakes, Inc.

Ray A. Goldberg, Professor
Harvard Business School

*Ellen Haas, Adjunct Fellow
Center for Food and Nutrition Policy
Georgetown University

*Thomas S. Haggai,
Chairman and CEO
IGA, Inc.

Tim Hammonds, President
Food Marketing Institute

*George Hoffman, President and CEO
Restaurant Services, Inc.

Joel W. Johnson,
Chairman, President & CEO
Hormel Foods Corporation

C. Manley Molpus, President & CEO
Grocery Manufacturers of America

Ron Pedersen, Chairman & CEO
Marketing Specialists Sales Co.

Dale Riley,
Executive Vice President & COO
Lund Food Holdings

*Lloyd M. Sigel, President
Lloyd's Food Products Holding
Company, L.L.C.

Stephen W. Sanger
Chairman and CEO
General Mills, Inc.

Roger Stangeland, Chairman
The Grand Union Company

Paul S. Walsh, CEO
The Pillsbury Company

*John Woodhouse, Chairman
Sysco Corporation

*Tom Zaucha, President
National Grocers Association

New Findings by our Graduate Students

In Search of the Perfect Date: Deciphering the Open Dating System for Food

By Lynn Szybist

Shopping in today's supermarket is no amateur sport. Consumers are demanding quality food products that are convenient to prepare in little time. "High-quality" food products are free from micro-biological threats but maintain their desirable sensory qualities (texture, color, odor, and off-flavor development). The variety of food products being produced is endless, and many manufacturers are striving to meet the high-quality standard, but how do the consumers know which companies to trust?

Presently, the federal government has many standards to guarantee that food products are safe for consumption. But consumers today not only want safe foods, they want to know the age of their food. They want to make educated decisions in choosing foods that have not been sitting on the shelves beyond a reasonable time. They do not want to buy spoiled goods. In short, they want to know they can trust the food manufacturers and grocery stores to provide relevant and reliable information.

According to the Office of Technology Assessment, open dating is "the use of dates on a can or package of food that gives the consumer some idea of when a product was packed or [by which time it] should be sold or used." Although the concept sounds simple enough, the system is actually quite confusing for most consumers. For example, not only is the system not consistent among food manufacturers, but there is no uniformity across state borders. My research illustrates the problems of these inconsistencies.

An up-dated chart showing the variety of mandatory vs. voluntary state reg-



Lynn Szybist

ulations pertaining to open dating will be completed soon. These inconsistencies can lead to difficulties in interstate commerce. Such information has not been published since 1979.

The inconsistencies of open dating do not stop at the state borders. Many states allow the industries to choose their own dating system. The lack of consistency leads to more confusion for the consumers, as well as for supermarket employees concerned with efficient stock rotation. Data collected from a local supermarket in the St. Paul, MN, area demonstrates the confusion of present open dating systems and the lack of consistency.

A literature search is usually a major part in any research report; but there is not much written about open dating per-se. Although I have collected some information, much of it has been found on the Internet.

By contacting governmental agencies, observing manufacturers' practices at the supermarket level, and gathering articles through libraries and cyberspace, I can make sense of the current open-dating system. Recommendations for improving the system may all who go to the supermarket find the date they are looking for — convenient, easy-to-understand and dependable. In other words, the perfect date.

How Can Co-ops Compete?

Lisa Mancino Ph.D. Student Research

Sales of natural food products have been rising steadily since the mid 1980s, and small natural food stores have been facing greater competition from larger, mainstream grocery stores. As part of her Master's thesis in Applied Economics, Lisa Mancino has been working with Dr. Claudia Parliament to identify and analyze possible responses of Twin Cities Natural Food Cooperatives (Co-ops) to this increased competition.

Her analysis involves the responses of 400 shoppers at each of seven participating Co-ops to a survey designed to assess various customer characteristics, such as

food expenditures at the co-ops, membership status, income, age, and distance traveled to the stores. Among the findings are:



Lisa Mancino

The most common reasons for shopping at natural food co-ops are product selection, product quality and the availability of organic foods.

The three most important attributes of a food co-op in ascending order are member influence, competitiveness with regard to price and quality, and, most important, the availability of natural foods.

On average, 49.5 percent of each respondent's food expenditures are made at the co-op, and this percentage increases with the size of the co-op.

For non-members, the most important factor that would persuade them to join is the ability to receive membership benefits at other Co-ops. Eighty percent of members said that they would like to be able to use their membership at other Co-ops.

Lisa will present the complete results of her study this summer at the American Agricultural Economics Annual Meeting. She also plans to finish her master's program and begin working on her doctorate this fall. ■

Be sure to visit the TRFIC web site:



DID YOU KNOW?

Food Industry News by the Numbers

- Since 1970, significant changes have occurred in what Americans eat and where they buy it. (From USDA Information Bulletin #725)
- From 1970 to 1994 per capita consumption of mangoes increased by 1000 percent, from 0.1 lb. to 1 lb. At the same time, per capita consumption of veal fell by 63 percent, nonfat dry milk fell by 35 percent, eggs dropped by 23 percent and butter by 11 percent. Per capita turkey consumption, on the other hand increased by 122 percent from 6.4 lbs. (boneless weight) to 14.2 lbs..
- Consumption of beef fell from 80 lbs. (boneless, trimmed weight) per capita in 1970 to 63.6 lbs. in 1994, a 21 percent decline. During the same period, consumption of poultry rose from 34 lbs. per capita to 63.7 lbs., an 87 percent increase.
- In 1976, the first year for which data are available, Americans consumed 1.2 gallons of bottled water per person. In 1994, the figure was 10.5 gallons, nearly a 700 percent increase.
- In 1970, corn sweeteners accounted for 16 percent of total caloric consumption. In 1994, the figure was 55 percent, of which 70 percent was high fructose corn syrup. In 1970, caloric sweetener consumption totaled 122 lbs. per person. In 1994, this figure had risen to 148 lbs. per person. This figure masks some interesting trends. Refined sugar consumption fell by 35 percent, from 102 lbs. to 65 lbs. per capita, while consumption of corn sweeteners rose by 224 percent, from 25 lbs. to 81 lbs. per capita.
- From The Food Institute Report: Food service sales in supermarkets and convenience stores combined comprise about 9 percent of commercial food

service sales. Supermarkets are the fastest growing segment of food service moving ahead at more than seven percent per year in real terms.

- From the 1998 Kitchen Report conducted by the National Pork Producers Council: Two-thirds of families with children eat at least five meals together a week. The criteria for what to serve is, in descending order: family favorite food, taste, nutrition, convenience, and cost.
- From AC Nielson's Second Annual Report on Consumer and Market Trends: Consumers visit a store 94 times a year (1.8 times a week) and spend an average of \$23.37 trip (\$2,197 a year).
- From USDA Information Bulletin #725: Superstores, a format that did not exist in 1970, accounted for nearly 36 percent of all supermarkets in 1993, while only 28 percent of all supermarkets retained the conventional supermarket format.

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