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

# TRFIC NEWSLETTER

University of Minnesota

Vol. 5 No. 1 Spring 1999

CUSTOMERS FIRST

## A Big Player Talks about Keys to Success

**D**etermine what the consumer wants.

This is Job 1 for grocery stores, according to Gary Michael, Chairman and CEO of Albertson's, Inc. Michael spent November 17 with TRFIC's steering committee and Ron Pederson, of Marketing Specialists Sales Co. and a member of the Center's Board of Advisors. Having acquired American Stores the previous August, Albertson's, Inc. was at that time the number one supermarket chain, in sales, in the United States. In the afternoon, Michael addressed a TRFIC seminar on "Key Factors in Maintaining Successful Retail Store Formats."

To make sure you are selling what the *customers* want, Michael told the 100 attendees, you have to manage a store "eight feet by eight feet." Grocers must also know a neighborhood in order to market to it, and must build "the neighborhood store." In Sun City, Arizona, Albertson's store has no shelves higher than five feet. "This is the right store for that neighborhood," he said.

Second to knowing the neighborhood, Michael's favorite approach is the "CASE" method: Copy And Steal Everything. Learn from your competitors, he advised. Ultimately, you have to build a store that is *good* enough.

Another of Michael's customer-oriented objectives is to lower both the cost of shopping and the risk of consuming. To that end, he strongly believes in the value of food demonstration stands in stores, and he likes to combine them with coupon discounts. Coupons lower the cost, and tasting takes the risk out of buying unfamiliar products, he said. He also recommended putting the top meat people out front so they are available to explain what to do with cuts of meat.



Gary Michael

Michael offered several observations, based in part comments from focus groups his company ran nationwide. Consumers are not well informed about food prices, he said, certainly not when compared to gasoline. They do not care for coupons, and prefer "every day low prices" to discounts. They want one-stop shopping, variety rather than duplication, and home meal replacement (HMR) food that is fresh and tastes good. To reach the goal of one-stop shopping—in fact, to stay in the food business—grocery stores will have to include

pharmacies and health care and HMR, he said, adding that mistakes and misjudgments are and will continue to be a fact of life.

To illustrate the latter point, Michael told his listeners that Albertson's is getting "burned, but not drowned," on HMR. After developing a gourmet pizza, they refined it to reduce the price, but then "it tasted like cardboard." The salad bar makes little money, but prepared salads are quite profitable. Eighty-five percent of women say they would buy gasoline in supermarket parking lots because they feel safer there. In response to that finding, Albertson's is expanding the number of locations at which they sell gasoline.

Regarding the current consolidation in the industry, Michael suggested that consolidation is stimulated by the "Wal-Mart scare factor." Family-owned chains are selling out, he said, and he thinks the trend will continue. As for Efficient Consumer Response (ECR), a strategy for reducing costs, Michael does not think it will result in turning the shelves over to the manufacturers. He wondered whether the big manufacturers are even producing what consumers want, adding that they seem to be even more out of touch with the customer than anyone else. The variety that consumers want is all coming from local or small companies, he stated.

## DIRECTOR'S NOTEBOOK by Jean D. Kinsey

### Thanks to Our New Co-sponsors

SuperValu, Land O' Lakes, and Lunds/Byerly's will co-sponsor our public Seminar Series for the next three years. We thank them for encouragement along the way and for the confidence displayed by their financial support of this activity of the Center. Such private contributions to publicly available education help promote the well being of the entire industry, including its consumers.

The response to our public Seminar Series has been outstanding. Two of the articles in this newsletter report on remarks by Gary Michael and Michael Osterholm. Both speakers are high profile figures, well known in the food industry and respected for their insight and message. They rep-

resent the type of speaker the series has attracted. The Seminar Series has been running for three years now, and attendance has more than tripled since we began.

We in the Center and the food industry community owe a special thanks to all who have spoken in this series: (in order of appearance) Jon Seltzer, Bill Boehm, Karen Nordsiden and Ken Cogan, Tim Hammonds, Herman Cain, Ron Pedersen, Marty Kahn, Whitney MacMillan, Willard R. Bishop, Jr., Jeff Noddle, John Block, Gary Michael and Michael Osterholm. We look forward to many more excellent speakers and we invite anyone who wants to receive an invitation to contact Mavis Seivert, Executive Secretary, at 612-625-7019.

### Public/Private Partnerships 'Do Us Proud'

*By Mark G. Yudof  
President, University of Minnesota  
Remarks at the Annual Meeting of the TRFIC  
Board of Advisors, October 21, 1998*

**M**y theme today is partnerships between private industry and the public university. But in thinking about it, the term "partnerships" begins to seem inadequate. I believe that such relationships, at their best, are closer to the Chinese concept of yin and yang — a complementary, mutually reinforcing and productive interdependence.

This Center itself illustrates that relationship. The academic qualities we bring to our shared projects—objectivity, integrity, scientific rigor and balance—complement the practical qualities of your industry—business expertise, global sophistication, excellence in production and distribution. Largely as a consequence of this collaboration, the retail-food industry now produces more than seven percent of our gross domestic product and provides 12.4 percent of our nation's total employment.

I also believe the Center is an unusually good partner with both the Carlson School of Management and the College of Agricultural, Food and Environmental Sciences, helping to transmute knowledge into action for the benefit of the world's people. Consider the example of "precision farming," now under development here. This new approach uses satellite technology to help growers custom-till their land; by knowing the status of the soil—not field by field but practically at the level of square yards—a farmer can fertilize, water, plant, and plow with an exactitude



**Mark Yudof**

never before possible. Materials and labor are reduced, harvests are larger, and more food goes to market more efficiently and far more cheaply, thanks to the economic insight applied here.

Widening the focus a bit, I would also like to emphasize the value of university-industry partnerships internationally. My recent visit to China, along with the one to Scandinavia, convinced me more than ever of the need for global connections in serving the world's people. The University should, I believe:

- Spearhead development of an international strategy in support of goals of the governor, the state, and the private economy.

- We should sponsor faculty-based connections, which frequently lead to trade and employment opportunities for Minnesotans.

- And we should foster more student and faculty exchange programs, which engender an essential understanding of international politics and culture.

Likewise, the University must continue investing in new technologies. These include:

- Digital telecommunication and imaging systems; and supercomputers

- New biological-sciences research, computational biology, and agricultural advances such as precision farming; and

- New media and functional genetics.

I want to thank you for your active interest in our activities here at the University. Our partnerships do us both proud.

## TRFIC SEMINAR

## Is Food Safety at All Time Low?

The safety of the U.S. food supply is at an all time modern low, according to Dr. Michael Osterholm, who recently left his post as State Epidemiologist for the Minnesota Department of Health.

"We don't have the world's *safest* food supply," Dr. Osterholm told his audience at a TRFIC seminar January 26, "we have the *world's* food supply."

Explaining his point, he reminded his listeners that a century and a half ago, circumnavigation of the globe took about a year, whereas today it can be completed in about a single day. International food trade and consumption patterns—and accompanying declines in food safety—reflect this, he said, citing changes in diet, food production, and commercial food service, and the re-emergence or development of new infectious agents.

Today's diet, with its dependence on fresh produce and its de-emphasis of cooked meat, is friendly to the heart but hard on the gastrointestinal tract. In 1950, about 80 percent of the food items in a typical grocery store came from within 150 miles, and a large proportion was canned items. Today, the number of fresh items in a supermarket is much greater, and the distances traveled are much longer. Depending on the season and the exchange rate, as much as 75 percent of some produce items comes from Mexico alone.

The increasing volume of imports by itself would make inspection more difficult, Dr. Osterholm said, but, as *USNews* reported ("Dishing Up Mean Cuisine," 9/14/98), some importers are ingenious in developing ways to evade inspection.

Developing countries play a large part in our food supply, so it is not surprising that pre-modern sanitation systems adversely affect food safety. Introducing new crops can bring new problems. For example, Guatemalan birds, having learned to appreciate raspberries soon after their introduction in the early 1990s, were identified as a source of major outbreaks of "travel diarrhea" due to cyclospora in 1995-97 in the U.S. The United States banned the importing of raspberries from Guatemala. Canadian authorities, more skeptical of the bird-raspberry connection did not, and Canada experienced an additional outbreak in 1998. Imported carrots, parsley, cilantro,

and tomatoes have also been connected with food-related illnesses.

New sources of supply can also introduce new sources of micro-organisms into the U.S.

For a variety of reasons, hygiene is often inadequate among food handlers in food service establishments. Dr. Osterholm cited one delicatessen chain whose customers had experienced gastrointestinal problems. Forty percent of the food preparers had an intestinal parasite, compared with 0.1 percent of the general population. The level of intestinal parasites is generally considered to be a good indicator of overall personal hygiene, he explained.

Bacteria that are not susceptible to antibiotics, including strains of *T. gondii*, *E. coli* and *Campylobacter jejuni*, are another problem bedeviling domestically produced food. This is largely due to the over-used of antibiotics in both humans and agriculture, he stated.

Dr. Osterholm's discussion of *E. coli* O157:H7 was especially detailed. It entered the U.S. food supply in the mid-1970s, originally in the bovine population, but this is now only a small part of the problem. Crossover of the bacterium from cattle to birds, has made birds a major problem now. Effective response, however, can make a difference. For example, as a result of the industry's response to recent *E. coli* outbreaks associated fast food, fast food establishments are now probably the safest source of hamburgers in the country.

A major difficulty in developing solutions to food-borne illness is the lack of good information about the scope of the problem. Estimates range from 6 million to 81 million cases annually. These are based on numbers that are "ridiculously outdated, using poor methodology and should probably not be repeated," Dr. Osterholm said, adding that the correct number of gastrointestinal problems due to food is probably close to 150 million per year.

Too often, in some part due to embarrassment, outbreaks do not even come to light. The 1993 cryptosporidium outbreak in Milwaukee, which ultimately affected nearly a half million people, was first recognized when local stores reported running out of bottled water and toilet paper. A major symptom for many of the 122 people



Dr. Michael Osterholm

sickened 15 years ago in Brainerd, Minnesota, was a complete inability to control their bowels. Victims report-

ed more than 20 bowel movements per day in the first month. This is, of course, very severe, so much so that it cannot easily be hidden, Dr. Osterholm observed.

More typical is the situation of a "60 Minutes" production crew that came to Minnesota for a show on public health. Seven of the eleven crew members had been sick while on site in Columbia, but because of the nature of the problem, had hidden it from each other. Bottom line: the public health system is rarely able to detect and identify any but the most serious incidents of food-borne disease.

As for solutions, Dr. Osterholm would look at the "commodity stream." Where, along the route from field or feedlot, do things get contaminated? He also mentioned the Hazard Analysis Critical Control Point (HAACP) systems, but stressed that the best solution is most likely terminal pasteurization, especially ionizing radiation.

Dr. Osterholm had worked at the Department of Health since 1975. He is now CEO of Infection Control Advisory Network, Inc., a startup company that will develop products to reduce the risk of deadly and unpredictable infectious diseases. Among the planned products are Internet-based information on control and treatment of infectious diseases, and a prescription system to help doctors reduce antibiotic abuse and resistance.

## TRFIC Seminars

**Thursday, March 18, 2:00 to 4:30 p.m.**  
George Hoffman, President/CEO  
Restaurant Services, Inc.  
Earle Brown Center — Room 42

**Wednesday, April 21, 11:30 a.m. to 1:45 p.m.**  
Nessa Richman, Policy Analyst  
Henry A. Wallace Institute for Alternative  
Agriculture  
Joint Session with Twin Cities Agricultural  
Issues Round Table  
Sheraton Minneapolis Metrodormie Hotel  
Cost \$25

## DID YOU KNOW?

- Functional foods are a hot topic and potentially big sellers as consumers seek food that not only nourishes them, but imparts health benefits beyond basic nutrition. Functional foods have natural, physiologically active components that can reduce the risk of disease and promote health. An example is food naturally high in Beta-carotene (carrots) or foods with Beta-carotene added in order to provide a substance to the body that reduces free radicals, which are believed to increase the risk of cancer.
- Neutraceuticals are functional foods plus pills and food supplements that claim to enhance health or reduce the risk of chronic diseases. They represent the merging of the foods and drugs and give consumers a sense of control over their future health. It is ripe with potential benefits *and* ripe for fraud.
- The International Food Information Council reported in 1998 that 69 percent of consumers liked functional foods, but only 33 percent liked nutraceuticals.
- Twenty to 45 percent of major crops grown in the U.S. are genetically modified, so it is hardly surprising that genetically altered foods are appearing on supermarket shelves. Functional foods and nutraceuticals can be created through genetic engineering as well as other methods. A 1997 survey of consumers showed that 40 percent believed these products were already in the supermarkets. Three-quarters believed that biotechnology would benefit them in the next five years, and 79 percent approved of the FDA's approach to labeling genetically altered foods. FDA requires special labeling only if it creates an allergen or substantially changes the nutritional content. (Cereal Foods World, 43:1, 1998, p. 21)
- Dietary guidelines in the U.S. and many other countries advise consumers to consume a variety of foods, low fat, moderate salt and sugar and only a moderate amount of alcohol.
- A Paradox? In the U.S. a recent ruling by the Bureau of Alcohol, Tobacco and Firearms allows wine to be labeled with one of two statements: 1) "The proud people who make this wine encourage you to consult your family doctor about the health effect of wine consumption." 2) To learn the health effects of wine consumption, send for the federal government's Nutrition and Your Health: Dietary Guidelines for Americans. Contact the Government Printing Office, Superintendent of Documents by World Wide Web: [www.access.gpo.gov/su\\_docs/sale.html](http://www.access.gpo.gov/su_docs/sale.html) or [www.access.gpo.gov/su\\_docs/sale/prf/prf.html](http://www.access.gpo.gov/su_docs/sale/prf/prf.html), or Telephone (202) 512-1800 or Fax (202) 512-2250.

Currently, labels on alcoholic beverages contain warnings to pregnant women about possible birth defects and to all the about possible impairment of ability to operate a car or machinery after drinking alcohol.

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