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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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TRFIC SEMINAR

## The 2000 Supermarket Panel – Annual Report Preview



Robert King

The Retail Food Industry Center established the Supermarket Panel in 1998. Dr. Robert King, Professor, Applied Economics Dept., is Project Director of this ongoing study of the supermarket industry. The Panel is unique because the unit of analysis is the individual store, and the same stores are tracked over time. Individual stores provide information annually on store characteristics, operations, and performance, enabling us to trace the impact of new technologies and business practices as they are adopted. The Panel has two overall objectives:

1. Provide timely, useful information for our industry through benchmark reports and annual summaries.

2. Be a ready source of longitudinal, cross-section data for research on current and emerging issues.

The 2000 Panel consists of 344 stores selected at random from the nearly 32,000 supermarkets in the U.S., representing a cross-section of the industry. In June 2000, each store in the panel received a confidential benchmark report comparing it to other stores similar in format and size. Index scores for six key management areas — supply chain practices, human resource practices, food handling, environmental practices, quality assurance, and service offering — were an important feature of this report. These scores help stores assess relative strengths and weaknesses, and identify areas for increased management attention.

Key findings from the 2000 Supermarket Panel include:

- Median annual sales growth is remarkably high for stores in ownership groups of 31–60 stores, 3.6% relative to growth rates less than 2% for the other group sizes.
- Warehouse stores have high labor productivity and sales per square foot, but their median sales growth rate is negative.
- Stores that place increased emphasis on supply chain and human resource practices have more efficient management of space, labor, and inventories.

- After controlling for other factors, group size has little impact on performance. This suggests wholesaler-supplied stores can be competitive. However, stores in self-distributing groups have higher inventory turns.
- Stores that have implemented Internet ordering have much higher median annual sales growth than stores that do not offer this service – 4.4% versus 1.7%.
- Stores that face supercenter competition have a median annual sales growth rate of only 0.7%, compared to a rate of 2.1% for other stores.

### Supermarket Panel 2001

Work on the 2001 Panel is already underway. In addition to the 344 stores in the 2000 Panel, 1,600 new randomly selected stores will be asked to participate. By continuing to expand the Panel, we can increase the accuracy of our industry profile and examine emerging trends in greater detail.

With a second year of data, we will be able to take full advantage of the unique capabilities the Panel offers for longitudinal analysis, giving special attention to questions such as:

What are the characteristics of stores that are leaders across the entire range of performance measures?

What are the key determinants of labor productivity?

How are food system-wide supply chain initiatives being reflected in investment and technology adoption at the store level?

### Upcoming Events 2000-2001 Seminar Series

March 16, 2001

#### NEW CHANNELS HANG TOGETHER

- Willard Bishop, Willard Bishop Consulting, Ltd.
- Earle Brown Center, Room 42, 2:00-4:30 p.m.

May 3, 2001

#### CROWNING THE CUSTOMER

- Fergal Quinn, Chief Executive SuperQuinn, Dublin, Ireland
- Earle Brown Center, Room 155, 2:00-4:30 p.m.

June 10-14, 2001

#### FMI/TRFIC LEADERSHIP COURSE MANAGING THE TOTAL STORE: LEADERSHIP COURSE

## NEW CO-DIRECTORS' NOTEBOOK

Starting January 1, 2001, Jean Kinsey and Ben Senauer will be sharing the helm as Co-directors of TRFIC.

Although our co-directorship is new, our partnership goes back several years. Since the Center's inception in 1995, we have both been involved with TRFIC Steering Committee and research activities. We have worked together on numerous teaching and research programs focusing on consumers' food behavior and food markets. In 1991 we were two of the three authors of *Food Trends and the Changing Consumer*, published by Eagan Press.

The new division of responsibilities for TRFIC's many activities and programs will expand the Center's capacity to respond to research requests from industry and faculty.

As we enter a new phase of our development, moving from Sloan grants to a mixture of grants and private funds, we believe this new leadership structure will help us build bridges, as well as strengthen existing relationships with our academic and industry partners.

Jean Kinsey will be responsible for:

- Interfacing with The Sloan Foundation
- Fund Raising
- Contacts with the Board of Advisors
- Budgets
- Coordination of projects/activities
- Newsletter



**Jean D. Kinsey**



**Ben Senauer**

Ben Senauer was former Director of The Center for International Food and Agricultural Policy in the Department of Applied Economics. He will manage the research portfolio of TRFIC, as well as:

- Solicit projects from faculty, students, and industry partners
- Promote needed research projects (Design RFPs)
- Review projects with potential grantees
- Coordinate research on food service
- Contribute to working papers/publications

Other responsibilities will be shared. As calls from the media and requests for speakers increase, our new administrative partnership will help the Center respond more quickly and effectively. Above all, our changing structure reflects the exciting growth of the Center's activities, which have expanded to include internships, mentors and public communications. It is gratifying that more faculty members and students are doing research in the food industry, increasing our fund of knowledge.

Please feel free to contact either of us with your suggestions, questions, or requests. We look forward to our continuing work together in pursuing the mission of the Center: **to be the leading source of knowledge on how food reaches consumers effectively and efficiently.** Through research and educational programs, we will help develop leaders for tomorrow's retail food industry.

### Rainbow's Hennesey Wins Service Award

Robert Hennesey, Vice President & Director of Consumer Marketing at Rainbow Foods, received the 2000 Director's Award for Outstanding Service to The Retail Food Industry Center. Hennesey won the award for his outstanding efforts in providing a student with an internship, mentorship, and research data.

Established in 1998, the award honors professionals who demonstrate a high level of leadership in supporting the development of the retail food industry. This includes such activities as allowing researchers or students to use physical facilities or data for research purposes, mentoring a student, and other service(s) to be identified. Recipients receive a plaque recognizing their outstanding service at the annual Board of Advisors meeting.

Former winners are:

1999 — **The Kowalski Family** and Store Manager **Dan Klassen**

1998 — **Craig Streich**, Director of HR Development, SUPERVALU, formerly Corporate Director of Franchise, Cub Foods

## Loyal Customers? By What Definition?

Almost half of all grocery stores have some type of customer loyalty program. But the definition of just what constitutes loyalty varies from store to store. And the way a store defines loyalty has a real impact on how it chooses to reward customers.

Based on six months of customer loyalty data from one grocery chain, Sara Ashman, a Ph.D. student in the Department of Applied Economics, identified four ways of defining customer loyalty:

1. Total number of transactions
2. Total dollars spent
3. Margin dollars contributed
4. Ratio of customers' expenditures at a particular store to their total grocery expenditures

By defining loyalty as the total number of transactions, stores place a premium on maximizing store visits. However, Ashman's study shows that those who visit the store most often do not contribute the most dollar sales or profits (measured as margin dollars per markdown dollars).

If retailers define loyal customers as those who contribute the most to profits, they are measuring loyalty by margin dollars. But those customers who contribute most to margin dollars actually spend the fewest total dollars, and shop least often.

So perhaps it makes sense that those customers who do virtually all of their grocery shopping at a single store should set the standard for loyalty. Yet it turns out they are not the highest spenders, nor do they contribute the most to profitability. For instance, high-income households would typically not fit this definition. Loyalty rises with household income only when it is defined as total dollars spent.

The only variable that consistently predicted loyalty across all four categories was the markdown dollars saved. The more customers save by shopping at a store, the more likely they are to be classified as loyal by any definition. The bottom line: bargains still count in attracting loyal customers.

## New Research Associate – Dr. Elaine Jacobson

A warm welcome to Elaine Jacobson, Ph.D., who recently joined TRFIC as part of the team working on the Supermarket Panel. She replaces Paul Wolfson, who has moved to Dartmouth College in Hanover, N.H.

Elaine is managing the schedule, data, benchmark reports, and much of the analysis for the Supermarket Panel.

Earning her doctorate in Agricultural Economics from the University of Florida, she taught economics at the University of Florida & NC State University and served as a market research consultant before moving to the Twin Cities. Elaine can be contacted at [ejacobso@apcc.umn.edu](mailto:ejacobso@apcc.umn.edu).



Elaine Jacobson

## Mavis Sievert – Executive Secretary

Many of you know Mavis Sievert by name, email, and voice. Mavis has been with us since 1995, playing an instrumental role in organizing the Center. Our one-person Command Central at TRFIC, her tireless attention to detail is behind the success of innumerable Center activities and events.



Mavis Sievert

Besides planning our meetings, Mavis handles our scheduling, financial records, correspondence, files, e-mails, travel arrangements and other administrative tasks with rare finesse and unflagging humor.

She has been a long-term member of International Association of Administrative Professionals (IAAP), formerly PSI. As an officer for the organization, she helped to raise funds for the IAAP \$6.5M retirement center in Rio Ranchos, NM. She has taught extension classes at St. Paul Technical College, worked for the Minnesota State Senate, and helped research and write a book comparing water, trucking, and rail transportation.

We salute you, Mavis, and thanks for anchoring our team!

## UCCNet – Paul Benchener

At the annual meeting of our Board of Advisors in October, Paul Benchener, President/COO of UCCNET and Emil Martinez, also from UCCNet, discussed their progress and challenges in providing the retail food industry with a common platform for sending data and information over the Internet. Encouraged by several large retail chains to extend their standard setting role from bar codes to Internet software, UCCNET has developed a common pathway across the Internet for any one to use. This will help facilitate exchanges of information between retailers and their suppliers.

## New Sloan Industry Center

The Alfred P. Sloan Foundation has announced its 16th Center for Industry Studies. The latest is the Center for Paper Business and Industry Studies, at the Georgia Tech DuPree College of Management, the Georgia Tech Ivan Allen College, and the Institute of Paper Science and Technology (IPST). Dr. Tom McDonough from IPST will be its Director and Dr. James McNutt will be the Executive Director.

## Funding

TRFIC is applying for a third grant from the Alfred P. Sloan Foundation. We are also actively seeking sustaining funds from industry and private parties. **(For more information, call 612-625-7019.)** The Center's goals are to provide the retail food industry with an informed and educated labor force, and to research new strategies for creating an efficient, safe and affordable food supply.

### TRFIC RESEARCH REPORTS AVAILABLE FOR PURCHASE:

Supermarket Panel Annual Report      \$50.00

Working Papers, as listed on Website      22.50

Contact Mavis Sievert – 612-625-7019 or [msievert@dept.agecom.umn.edu](mailto:msievert@dept.agecom.umn.edu)

## DID YOU KNOW?

### • Too Much Fat

Americans eat about the right amount of grains, according to recommendations on the Food Guide Pyramid, and almost enough vegetables and meat. However, we fall dramatically short on fruit, and are also somewhat lacking in dairy. And—surprise! we way overconsume added sugars and fats. Added fats are those used in cooking, and at the table (butter or olive oil) “Added fats” and would need to decrease by one-third for consumers to meet dietary recommendations. (USDA, Ag. Ec. Report 772, 198)

### \*Minimum Wage, minimum impact ?

Raising minimum wages for retail food workers by 50 cents and passing the full cost on to consumers, would raise food prices less than 1% in stores and about 1% in eating and drinking establishments. This translates into spending about \$22 more for food from all sources per person, per year. (USDA, ERS, Info. Bul. 747-03)

### • New Labels on Fresh Eggs

By September 2001, expect to see a label that says “To prevent illness from bacteria, keep eggs refrigerated, cook eggs until yolks are firm and cook foods containing eggs thoroughly” on egg cartons. FDA has ruled on this labeling requirement to reduce illness from salmonella.

### • Real sales gains in all retail food

The Food Institute predicts that both the grocery and the food service sector will have real (inflation adjusted) growth in sales in 2000. In food stores we expect to see 2.7% growth (compared to 0.68 in 1999). In food service, the rate will be over 7% (compared to 4.6% in 1999).

### • Real Consumer Expenditures

Between October 1999 and October 2000, real disposable income increased 3% and real personal consumption expenditures increased 5.6%. As indicated above some of that increase in spending is going to food. (Bureau of Ec. Analysis)

### • Food Expenditures

In 1999 the average household spent

\$70.55 a week at a supermarket. Only 74% of that was on food; the rest was on dry grocery (nonfood) and general merchandise, prescriptions and health and beauty aids. (Food Institute Report 11/27/00)

### • Ahold into Food Service

Ahold has become the second largest broadline food service distributor behind Sysco, with their purchase of both U.S. Food Service and PYA/Monarch (from Sara Lee).

### • Alphabet Quiz

See how many of these acronyms in the food industry you can identify: EFR, FQPA, WTO, BSE, CJD, UCC (Answers below)

**Answers to alphabet quiz:**  
 Efficient Food service Response;  
 Food Quality Protection Act;  
 World Trade Organization; Bovine  
 Spongiform Encephalopathy  
 (mad cow disease) ; Creutzfeldt Jakob  
 Disease; Uniform Commercial Code.

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