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

TRFIC NEWSLETTER

University of Minnesota

Vol. 7 No. 2 Spring 2001

TRFIC SHORT COURSE

Going For Gold: Building Winning Food Marketing And Sales Strategies

TRFIC is offering its fifth 2-day Food Marketing workshop on July 23 & 24 at the Earle Brown Center, St. Paul Campus, University of Minnesota. This course is primarily for small- and medium-sized food marketers who want to design successful marketing programs for new products. It has received high praise from food scientists, advertising agency executives, vice presidents of larger firms, consultants, and academics from all over the country. Here are some quotes from previous attendees:

"Overall, I felt I got a solid comprehensive presentation, a number of provocative thoughts, and I benefitted a lot from the interactive discussions."

"It's great to hear from professionals who have worked in the real agri-food world."

"The content was excellent."

The presenters are:

Dr. Ron Larson, Department of Marketing, Haworth College of Business, Western Michigan University, has been researching and working in food marketing for over 15 years. Ron's workshop presentations will focus on fact-based marketing principles and will include results from some of his research in pricing, meal solutions, couponing, and regional marketing.



Ron Larson

Jim Coates is President of Coates Consulting, Inc., a sales and marketing service for domestic and foreign food companies doing business in North America. Jim has over 23 years of experience in the food industry — working with retailers, wholesalers, distributors, brokers and mass



Jim Coates

merchandisers. Jim will be addressing issues such as new product development, niche marketing, implementation and product management, sales strategy, costs of entry, channels of distribution, and related case studies..

Dr. Ted Labuza, is a Professor in the Food Science and Nutrition Department, at the University of Minnesota. He will lead the Producing and Packaging New Food Products segment, which covers the topics of minimizing production risks, following government label regulations, and avoiding misbranding.



Ted Labuza

By combining the practical principles illustrated in the case studies with the research findings, participants gain a better understanding on how to develop a successful marketing plan for food products.

Anyone needing more information about this program can contact Mavis Sievert at (612) 624-7019, msievert@dept.agecon.umn.edu, or check our website <http://trfic.umn.edu>.

Upcoming Events 2000-2001 Seminar Series

June 10-14, 2001

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

— Earle Brown Center, St. Paul Campus

July 23 & 24, 2001

**GOING FOR GOLD: BUILDING WINNING
FOOD MARKETING AND SALES STRATEGIES**

— Earle Brown Center, St. Paul Campus

CO-DIRECTORS' NOTEBOOK

New Grant

We are proud to announce that the Alfred P. Sloan Foundation has made a third three-year grant to The Retail Food Industry Center. The new grant of \$1.2 million allows us to continue funding research and educational programs about the retail food supply chain, food safety programs, human resources, consumer preferences, and supermarket performance. With this grant we will have received \$4.3 million in all from the Sloan Foundation. With the first two grants our Center funded research on the food industry by 16 faculty and 27 graduate students from six departments at the University of Minnesota. Twenty of the students have graduated; eight have academic careers, eight are in private companies, and three are in research positions in the U.S. Department of Agriculture. On our Website you can find 32 Working Papers representing some of the work of the Center. In addition, we launched The Supermarket Panel, a major data gathering and analysis project that provides benchmark reports to its participants and a comprehensive view of operations and performance in retail



Jean D. Kinsey



Ben Senauer

stores. Most gratifying is the number of undergraduate students who are seeking careers in the food industry. They are asking for opportunities to work with industry mentors and find internship positions.

A new challenge for us is the food-

service sector. Since almost half of food expenditures and one-third of food volume goes through foodservice establishments, it is very important for us to be able to track its supply chain and compare it to that of the retail food store. Understanding how this part of the food sector works will add to our collective knowledge about the entire food distribution system. It is past time to put the whole system together. We can no longer talk about the food distribution system and then tack on the phrase, "and by the way, there is also food-service."

We look forward to expanding the exciting educational and research programs of the Center. We thank the Sloan Foundation for their support and encouragement and for making this Center's work possible. As their funds diminish, we are also challenged to raise funds from other sources including our friends in the food industry.

Annual Sloan Center's Meeting

The Annual Meeting of the Sloan Foundation Industry Study Centers, of which there are now 17, was held April 11 and 12 at MIT in Cambridge, MA. This year's meeting focused on a new format, with a conference on "Corporate Strategies for the Digital Economy," with both representatives from the academic centers and the various industries participating. This approach reinforced the Sloan Foundation's emphasis on each study center building stronger ties with its industry. In addition to Jean Kinsey, Ben Senauer, Rob King and Hamid Mohtadi from TRFIC, two members of TRFIC's Board of Advisors attended the conference: John Gray, International Food-service Distributors Association, and George Hoffman, Restaurant Services Inc. Another guest was Meg Roy, National Marketing Director, Food and Beverage Industry, KPMG.

The Conference was organized around the following major sessions:

- The New Rules of Product Development

- The New Global Supply Networks
- The New Service Organization
- The New Logistics
- The New Geography of Innovation
- The New World of Work

Rob King made a presentation on "The New Logistics in Retail Food," in which he discussed ECR and B2B initiatives. The need for inter-organizational cooperation was a key theme. Rob drew on results from TRFIC's 2000 Supermarket Panel, in which the median grocery store had 12 deliveries weekly from primary distributors and 51 direct-store deliveries from manufacturers. Although most store orders are still based on visual inspection of inventory, computer assisted ordering and vendor managed ordering can improve efficiency. Some food manufacturers are beginning to try collaborative logistics with other companies to cut trucking costs. All in all, the Annual Sloan Centers Meeting was a great opportunity to compare trends and issues across major industries.

Highlights of 2001 Working Papers

Grocery Shopper Segmentation

In "Data Mining: A Segmentation Analysis of U.S. Grocery Shoppers," (WP 01-01), Nikolaos Katsaras, Paul Wolfson, Jean Kinsey, and Ben Senauer divide grocery shoppers into six distinct segments based on their preferences for 33 store characteristics. The data are from a representative, nationwide sample of 900 supermarket shoppers collected in 1999. The six customer profiles are: (1) "Time Pressed Meat Eaters," (2) "Back to Nature Shoppers," (3) "Discriminating Leisure Shoppers," (4) "No Nonsense Shoppers," (5) "The One Stop Socialites," and (6) "Middle of the Road Shoppers." This study demonstrates the use of data mining techniques to better understand consumer shopping behavior.

Food Service Industry

Charlotte Friddle, Sandeep Mangaraj, and Jean Kinsey provide a broad overview of the industry in "The Food Service Industry: Trends and Changing Structure in the New Millennium," (WP 01-02). By 2010, foodservice establishments are projected to capture 53 percent of consumers' food expenditures, whereas in 1980, foodservice captured less than 40 percent. This overview covers many of the issues and trends affecting the different segments of the foodservice supply chain including foodservice operators, distributors

and food manufacturers. This review incorporates interviews with industry professionals, information from leading foodservice associations, and predictions from the top industry research firms and consultants.

The 21st Century Food Consumer

In "The Food Consumer in the 21st Century: New Research Perspectives," (WP 01-03), Ben Senauer discusses the increasingly complex set of factors that are driving patterns of food consumption. As incomes rise, the demand for many food attributes, such as nutrition and health, safety, convenience, and diversity, substantially increases. Where people buy food, the form in which they buy it, and where they eat it are all changing. To simply distinguish between food consumed at home and away from home is no longer adequate. The single quality-differentiation factor in food currently receiving the most attention is genetic modification. The difference in the general consumer acceptance of biotechnology and genetically modified foods between the United States and Europe is dramatic.

Working Papers may be ordered from Mavis Sievert (612-625-7019 or msievert@dept.agecon.umn.edu) or viewed on our web site.

Bishop Seminar

Willard (Bill) Bishop, President, Willard Bishop Consulting, LTD., is one of the leading consultants in the industry. He gave a very well-attended seminar on "Remodeling the Supermarket on the Way to Building a New Business Model." Bill sees many grocery retailers falling into a "black hole" in which they are losing business to a range of competitors who are the "cheapest (lowest price), hottest (fashion), biggest (selection), quickest (speed), or easiest (service)." Retailers need to focus on either an efficiency-driven or a market-driven strategy, because the middle ground occupied by many supermarkets will be unsustainable. Under Bishop's proposed New Business Model grocery retailers need to:



Willard Bishop

- lower the cost of delivering products to consumers
- establish new and stronger ties with consumers
- add new products and services that have full profit margins.

To achieve his New Business Model, grocers must focus on key customers, align with key suppliers, build on new growth platforms, and develop and retain the right associates (employees). Retailers need to concentrate on "true profitability." This may require that space and inventory be reallocated and even certain businesses exited. Grocer retailers must "minimize" their own vulnerabilities and "exploit" those of their competitors. Bill's presentation, which reinforced his image as one of the industry's most innovative thinkers, was followed by a lively discussion.

Quinn Seminar

Feargul Quinn, Chief Executive of Superquinn in Dublin, Ireland, is a great champion of listening to your customer. He started Superquinn in 1960 and there are now 18 stores. On May 3 he visited TRFIC and gave a public seminar entitled "Crowning the Customer: How to Become Customer-Driven." He started his talk by pulling a boomerang out of a bag to emphasize that the major focus in retailing should be to get the customer to come back again. Customers, not just the employees, should be seen as part of the business' team. Every retail business needs a "listening" system to learn from their customers.

Feargul Quinn still personally leads customer focus groups to stay in touch with his customers. Everyone who works at Superquinn must work on the store floor on a regular basis to directly interact with customers. There was a picture of Quinn himself bagging groceries at the checkout. Customers are made part of the quality control process by being rewarded for finding "goofs," such as shopping carts with wobbly wheels. After hearing customers' desire for really fresh produce, Superquinn stores now indicate the exact day and hour when a product was picked and the farmer's name and address. Under Quinn's direction, Superquinn stores remain some of the most innovative anywhere. Several now have self-scanning, in which the customer gets a scanner to take around the store as they shop. His book, "Crowning the Customer, How to Become Customer Drive," is widely read in the industry. In honor of Feargul Quinn's visit, Guinness Beer was served at the reception following the seminar.



Feargul Quinn

The Retail Food Industry Center now has the Supply Chain Index available to the industry on its Web site (<http://trfic.umn.edu>). This addition makes it possible for a retailer to quickly and conveniently participate in one of the most interesting facets of the Supermarket Panel—namely, measuring a retailer's ability to participate in and contribute to supply chain initiatives. The Supply Chain Index was selected as the first index from the Supermarket Panel to make widely available because stores that score higher on the supply chain readiness measure also score higher on several key profitability drivers. Stores that place increased emphasis on supply chain practices have more efficient management of space, labor and inventories.

DID YOU KNOW?

- **Fast Casual Diners** is a new restaurant category identified in a recent study by King-Casey, Inc. People in these types of restaurants spend an average of \$5.45 for breakfast, \$7.07 for lunch and \$11.66 for dinner. (Food Institute Daily Update, 3/26/01)
- The Food Guide Pyramid recommends **2-4 servings of fruit per day**; the average amount eaten is about 1.4 servings. Not only do we not eat enough fruit, there would not be enough fruit in the U.S. food supply to meet the need if everyone actually ate the recommended amount. (<http://www.usda.gov.cnpp>)
- **Food Check-Out Day**, is the day when the average American has earned enough to pay his or her family's food bill for the entire year. This year it came two days earlier on February 7 according to the American Farm Bureau. (Food Institute Daily Update, 2/6/01)
- **Utah has officially declared Jell-O** the official state snack. Salt Lake City, according to the National Association of Convenience

Stores, enjoys the highest per capita consumption of Jell-O in the world. (Food Institute Daily Update 2/6/01)

- **U.S. per capita beef consumption** is up 6.2 percent in the past two years to 70 pounds, while the consumption of chicken was down 2.59 percent to 80 pounds per year. Since 1997, the number of fine-dining steakhouses nearly tripled to 462 according to NPD Group Inc. (Dan Curry, Wall Street Journal, Business 3/8/01)
- The average household spent **\$2037 per person on food** in 1998. (USDA, ERS Information, April 2001)
- In its peak year, 1994, 27.5 million people per month participated in the **food stamp program**. In that year, one in nine U.S. residents received food stamps. In 1999 one in fifteen residents received food stamps. This drop in participation is attributed to a long period of economic prosperity and to welfare reform during the 1990's. (Oliveira, Food Review 23:3, USDA 2000, p. 31)
- **More fruits and vegetables** are sold through foodservice than retail food stores. Sales through foodservice establishments

have grown from 35 percent of sales in 1987 to over 50 percent by 2000. (Kaufman et al., USDA, ERS, Bulletin #758, p. 10)

- Americans reportedly eat 70 million pounds of **sesame seeds** a year, largely due to hamburger buns. (Food Institute Daily Update 1/26/01)
- **Take-out meals** continue to increase. In 2000, the 72 take-out meals per person almost matched the meals eaten in a restaurant. Half of those take-out meals were eaten at home. (NPD Group/Crest, 2000)
- **QUIZ:** See if you can identify the following federal agencies that have some responsibility for food safety: FDA, EPA, APHIS, FSIS, NOAA, FTC, ARS, CDC (Answers below.)

Answers to quiz on page 4: Food and Drug Administration, Environmental Protection Agency, Animal and Plant Health Inspection Service, Food Safety and Inspection Service, National Oceanic and Atmospheric Administration, Federal Trade Commission, Agricultural Research Service, Center for Disease Control.

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