



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. 7 No. 3 Fall 2001

Our World of Change

The Retail Food Industry Center has changed its name. Our new name is **The Food Industry Center**. The name fits all the comprehensive facets of the work we are doing. By simply dropping the word "Retail" from our name, we become more clearly identified with our scope of research work in and for the Food Industry.

The 2001 Supermarket Panel

The second annual Supermarket Panel is complete, and the 2002 Panel is being prepared for another round of data collection. Dr. Robert King, Professor of Applied Economics and Project Director for the Supermarket Panel, reports that in 2001 the Panel grew to 563 randomly selected stores located in forty-seven states and the District of Columbia. These stores represent a wide array of formats and belong to ownership groups that range from single stores to the country's largest chains.

The *Annual Report* for the 2001 Supermarket Panel will be available in early November. Some key findings from this year's Panel include:

- Stores in all ownership group sizes are making rapid progress in adopting technologies and business practices that support supply chain management initiatives, but stores in large groups continue to lead in supply chain readiness.
- Supply chain readiness and adoption of progressive human resource policies are the management practices most strongly linked to superior store level productivity.
- After controlling for store format and other store characteristics and management practices, increases in store selling area have no impact or a negative impact on all key performance measures.
- Nearly one-third of all stores face supercenter competition. Stores in this category have significantly lower median levels for sales per labor hour and annual sales growth.
- In the first two years after a major remodeling, stores enjoy above-average sales growth, but they also face declining labor productivity and sharply rising employee turnover.
- More than 20% of stores in ownership groups with more than eleven stores say they are considering the addition of gasoline sales to their operations.

The Supermarket Panel is an annual survey that collects data from individual supermarkets on store characteristics, operations, and performance. Each participating store receives a confidential benchmark report, comparing it to a group of peer stores similar in format and size. The Panel is unique because the unit of analysis is the individual store and the same stores are tracked over time. It has two overall objectives:

1. Provide timely, useful information for the industry

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

Center researchers are already preparing for the 2002 Supermarket Panel. More than 2,000 data booklets will be mailed in early January to stores all around the country. The focus for the Panel will remain on tracking important industry trends and on identifying linkages between management practices and store performance.

Special Energy Management Survey

Concern over the cost and availability of energy emerged as a key issue for supermarkets in 2001. Food retailers throughout the country faced sharp increases in prices for electricity and natural gas, and California supermarkets experienced rolling blackouts during the spring. In early September, Food Industry Center researchers mailed a brief supplemental survey on energy management to all 563 Panel stores. This survey is gathering information on the extent of energy-related problems facing supermarkets and on the strategies stores are using to manage energy costs and usage. Combining responses to this survey with data already collected for the Panel will provide a detailed view of energy management practices that will be useful for store managers and others in the supermarket industry.

See the Food Industry Center web site (<http://trfic.umn.edu>) for the latest information on the Supermarket Panel.

Upcoming Events 2001-2002 Seminar Series

November 13, 2001
John Woodhouse, Retired Chairman/CEO
Sysco Corporation
McNamara Alumni Center

February 28, 2002
Allen Hickok, Sr Research Analyst - Restaurants
U.S. Bancorp Piper Jaffray
McNamara Alumni Center

June 16-20, 2002
FMI/TFIC
Managing The Total Store: Leadership Course
Earle Brown Center, St. Paul Campus

CO-DIRECTORS' NOTEBOOK

The Unthinkable!

The unthinkable happened on September 11, 2001 in New York and Washington, D. C. Before saying anything else those of us at The Food Industry Center would like to express our deepest sympathies to any of you who may have



Jean D. Kinsey

lost family, friends or colleagues in these terrible events. After September 11, the world will not be the same in many ways, at least for the foreseeable future. Only over time will we become fully aware of how much is going to be different. Clearly, we must begin to think the unthinkable. Who would have thought that suicidal terrorists trained as pilots in a carefully planned operation would take over passenger jets to use as weapons of mass destruction. An airline industry oriented towards passenger convenience and cost efficiency was obviously far too vulnerable to attack, because the unthinkable was not taken seriously.

Those of us concerned with the American food system must begin to seriously think about what could happen, because now we know it can happen. Where are the weaknesses and vulnerabilities in the system? Some might argue that by studying such issues we are giving terrorists a blueprint for attacking us. However, after September 11 we need to ask which tasks are best performed by government agencies and which ones industry deliver consistently and safely. It is the responsibility of the leaders in every sector to seriously consider their vulnerabilities to terrorism and other cataclysms and provide the leadership to address them, whether it be in air travel, telecommunications or the food industry?

We cannot live in fear and we must remain free, but



Ben Senauer

each industry and all of us bear a responsibility for planning far better for the unthinkable than the air travel business did. We can no longer treat massive chemical or biological terrorism that targets some part of the food system as unthinkable. We have a

senior colleague here at the University who was involved with food relief in Europe immediately after World War II ended. He asked one day in a seminar whether transportation disruptions do not pose a much greater risk to our increasingly efficient food supply chain with the great emphasis on reducing inventories. There were pictures in the news of trucks backed up for miles at the Canadian border immediately after September 11. What would be the impact of a cutoff of oil from the Middle East on transportation and what are the contingency plans for moving essentials, such as food. The food industry now depends on the global sourcing of many products. One of our friends in the produce business had his tomato supply from Holland cut off with the shut down of air transport after September 11; just one small example of the possible disruptions.

However, it is not just the vulnerabilities to terrorism that need to be considered. If there were a massive earthquake in California, or a major natural disaster elsewhere in the United States, would people have to worry about supermarket shelves being bare on top of everything else. Those of us involved with this industry must never forget we can live without many of the things we buy, but basic foodstuffs are an essential. In our quest for low cost delivery, lean inventory, and convenience could we end up paying an unthinkable price for disruptions of the supply chain of food.

Managing the Total Store: Leadership Course

For the third time, The Retail Food Industry Center and the Food Marketing Institute (FMI) offered the leadership course Managing the Total Store.

"Our goal is to provide programs that will strengthen the skills and performance of individuals employed in the supermarket industry," said Kim Roberts, Manager of Education Services for FMI.

More than thirty Supermarket professionals participated in this five-day executive course (August 6-10) that addressed critical workforce management issues. Participants came from more than twenty different companies.

The keynote address was provided by O' Neill McDonald, Senior Vice-President, SUPERVALU, who highlighted the importance of integrity to leadership.

"Dramatic changes in the marketplace require equally dramatic changes in the way supermarket man-

agers lead their associates, delegate responsibility, and best utilize their time," said Wendy Kennedy, Save Mart Supermarkets, one of the speakers at the Conference.

As in past years, the course incorporated the experience of current industry practitioners, noted speakers, and, most importantly, the participants own work and personal experience to address how to: maximize personal and staff productivity within a dynamic marketplace; find, recruit, and motivate a quality workforce; improve management skills in undefined situations.

"I have learned so much about working with people, and I will put my lessons to work not only in my own store but share my experience with my peers," summarized the participant evaluations.

Plans are well underway for next year's session, to be scheduled in the summer or early fall.

Visiting Scholars

We are privileged to have two visiting scholars working with our Center this academic year. **Dr. Timothy A. Park** holds a Sloan Industry Center Fellowship at the U of M's The Food Industry Center during the academic year 2001-02. The Sloan Foundation makes these fellowships available annually to their eighteen industry study centers on a competitive basis. They enable new Ph.D.'s and visiting faculty to work with Center programs and faculty and contribute to knowledge about the industry.

Dr. Park is working in the Department of Applied Economics to develop measures of productivity and performance in the food industry. He is from the University of Georgia, where he has recently published studies about the performance of agricultural banking, consumer demand for products with uncertain quality, and the competitive behavior of the retail food industry.

Chenjun Pan, an industry analyst with Rabobank in China is a visiting scholar in the Department for the fall semester. She is also working with faculty affiliated with The Food Industry Center and attending classes that will help her with her work. She is interested in the supply chain for pork and how it has developed in the U.S. and in China. Her considerable expertise on the meat supply chain in China and her experience with U.S. food companies contacting Rabobank bring a unique expertise to the Department. Chenjun majored in foreign trade at Shanghai Jiaotong University where she received a B.A. degree. She majored in enterprise restructuring at the Management School of Maastricht in the Netherlands where she received an MBA in 1997.



Timothy A. Park



Chenjun Pan

Highlights of 2001 Working Papers

Refrigerated Products and Home Practices (01-04)

Theodore P. Labuza, Lynn M. Szybist and Joann Peck, in "Perishable Refrigerated Products and Home Practices Survey," (WP01-04), report on a two-part survey developed to better understand consumers' perceptions and their current level of understanding regarding the proper handling and storage of perishable refrigerated foods. In recent years, there have been a number of large food recalls due to foodborne pathogens. Part of this study analyzed consumers' knowledge and attitudes towards the recalled products. The other part examined household food handling practices, (i.e., improper refrigerator temperature control and lack of food rotation). The practices of many of the participants were not suitable to prevent possible foodborne contamination. Open dates and time-temperature integrators, especially when used together, could assist consumers in properly handling fresh foods.

Slotting Allowances (01-05)

In "The Price of Launching a New Product: Empirical Evidence on Factors Affecting the Relative Magnitude of Slotting Allowances," (WP01-05), Akshay Rao and Humaira Mahi examine factors that potentially influence the relative magnitude of slotting allowances. They find that the charging and paying of slotting allowances is affected by the relative strength of the players. Among retailers, the relative magnitude of slotting fees increases with retailers' informational advantage over the manufacturer about the likely success of the new product. Similarly, the fees paid are lower for manufacturers who have a strong market share position. They discuss the managerial and public policy implications of these findings.

Electronic Food Retailers (01-06)

Gregory R. Heim and Kingshuk Sinha, in "Service-Process Configurations in Electronic Retailing: Taxonomic Analysis of Electronic Food Retailers," (WP01-06), analyze service-processes in electronic retailing and demonstrate their linkage to customer satisfaction and customer loyalty. They use data on service processes collected from 255 electronic food retailers and publicly reported customer satisfaction survey data that were available for 52 of them. Customer satisfaction and loyalty are affected by product information, product selection, web site aesthetics, web site navigation, customer support, and ease of return.

Natural Food Co-ops (01-07)

Lisa Mancino and Claudia Parliament, in "Twin City Natural Food Co-ops: The Role of Customer Preferences and Characteristics When Choosing Among Structural Options," (WP01-07), examine the businesses of seven Twin City, Minnesota natural food co-ops to assess organizational options. The study employed a customer survey to determine characteristics and preferences of co-op shoppers. Market forces, store differences, and customer factors were assessed to make recommendations. In the short run, these stores should employ a federated cooperative structure to accommodate a city-wide co-op membership and increase joint ventures among the co-ops. In the long run, the scale and scope of the federated co-op should be increased to enter new markets as a centralized co-op.

To download working papers go to our website (<http://trfic.imn.edu>) click on publications - working papers and view or print. Hardcopies are available from Mavis Sievert at 612-625-7019 for \$22.50 apiece. Make checks payable to the University of Minnesota/trfic

New Member of TFIC Steering Committee

We welcome and thank Phillip Brooks, President of H. Brooks and Company for joining our steering committee. With its monthly meetings, it is the governing body of TFIC. It is comprised of eight faculty, two staff, and four industry people from three local food companies.



Phillip Brooks

When Phillip Brooks discusses produce, a theme that emerges repeatedly is that of "quality." His emphasis on quality overflows to other aspects of H. Brooks and Company. It is evident in the focus on high quality service to customers- both internal and external ones. He brings this perspective to our Center with his valuable advise.

Phillip Brooks is the third generation of Brooks to own and operate H. Brooks and Company. His experience in the produce industry began early. As a youth, he worked at all areas in the industry learning from his father, Irving and other experienced employees at the company. His formal education further helped him to prepare for the position that he would carry - leader of the business. He received a Bachelor of Science Degree in Business Administration from St. Cloud State University in 1976 and then a Master of Business Associate Degree with emphasis in Marketing from the University of St. Thomas in 1992.

Phillip Brooks continued to expand his knowledge and experience in the Food Industry when in 1987, he worked as Vice President of Marketing for Aslesens Company, a food service wholesaler. He returned to H. Brooks and Company in 1988 and took over the leadership of a subsidiary, the Excellence Company.

Since 1994 he has been president of the entire H. Brooks and Company and has guided the expansion of the company, which includes the addition of a fresh-cut fruit and vegetable operations and a broadening of its Carnival Caramelized Apples operation. He also spearheaded the move of the company in April 2001 to a new facility in New Brighton.

He keeps abreast of the expanding knowledge, technology, and relationships in the food industry, and is recognized internationally as a leader in the food business.

With his in-depth understanding of the industry, passion for the food business, creativity and focus for the future, Phillip Brooks is a driving force on our steering committee just as he is in H. Brooks and Company.

DID YOU KNOW?

- **E-Commerce, charity, and grief:** In less than three days after 9/11/01 more than \$4 million was donated to the American Red Cross Disaster Relief Fund by way of Amazon.com who waived its fees to electronic donors. (Ideabeat.com 9/14/01)
- **New 14 digit UPC codes (bar codes)** will be adopted in the U.S. and will be compatible with the European 14 digit EANS. January 1, 2005 is the target date for conversion of scanners to read these new codes. They extra digits will help trace unique product characteristics through the supply chain. (The Food Institute Report, 7/20/02)
- **Restaurants:** There are 844,000 restaurants and food service outlets with a workforce of 11.3 million people in the U.S. Trends reported by the National Restaurant Association are: Ordering large portions at dinner and taking part of it home for tomorrow's lunch; Eight out of ten restaurants offering vegetarian entrees; and more customization of menu items to meet customers' requests. (www.restaurant.org)

- **Ahold** (a Dutch company) has become the second largest international retail group behind Walmart (an American company) and ahead of Carrefour (a French company). Ahold is blurring the lines between retail food stores and foodservice with their ownership of retail stores and foodservice distribution centers. (Ideabeat.com 9/10/12)
- **Coupons:** The redemption rate of grocery coupons issued was 3.5% in 1998 and 2000; 3.6% in 1999. The average face value was 71 cents in 2000, up 7.5% from 1999. The average duration of a coupon was 3.3 months. (The Food Institute Review: 29, 7/23/01)
- **Milk, meat and the human immune system:** British and American scientists have found that conjugated linoleic acid (CLA), a naturally occurring fatty acid in food products from ruminants (milk, butter, cheese, lamb, and beef), may help boost the human immune system, fight cancer, atherosclerosis, and diabetes. Other research shows that the level of CLA is considerably higher in animals fed by grazing in pastures. (Otago daily Times, New Zealand, 8/28/01)
- **GMO Food:** Genetically modified seeds were first allowed to be planted in the U.S in 1996.

Since then the sale of transgenic crops grew 89% per year. The growth in the global acres planted in bioengineered seeds grew 119.6% per year. By now, 103.4 million acres or one-third of the world's crop land (69 percent of it in the U.S.) is used to grow genetically modified seed and about 70 percent of the foods on the retail food store shelves are said to contain some form of GMO ingredient. (Kinsey, New Food Economy, <http://trfic.umn.edu>)

• **Obese and BMI:** In 2000, a government study found that over half (54.6%) of American are overweight and almost 20% are obese. This increase in weight is correlated with an increase in diabetes with up to 7% of the population being affected. A BMI (body mass index) of 30 is obese, over 25 is overweight. To calculate your BMI do the following:

- Divide your weight in pounds by 2.2.
- Divide you height in inches by 39.
- Square the result in part b.
- Divide the result in part a by the result in part c. This should give you a BMI index number. OR, log onto www.whwmag.com or <http://nhlbisupport/bmi/bmicalc/html> for an automatic BMI calculator where all you need to do is put in your weight in pounds and your height in feet and inches.

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

Co-Directors:
 Jean D. Kinsey 612-625-2744
 & Ben Senauer 612-625-5724
 Mavis A. Sievert, Exec. Secretary
 612-625-7019
 Fax: 612-625-2729
 Web Site: <http://trfic.umn.edu>

Rob King
 Applied Economics
 249f Classroom Office Bldg
 St. Paul Campus

Nonprofit Org.
 U. S. Postage
 PAID
 Mpls., MN
 Permit No. 155