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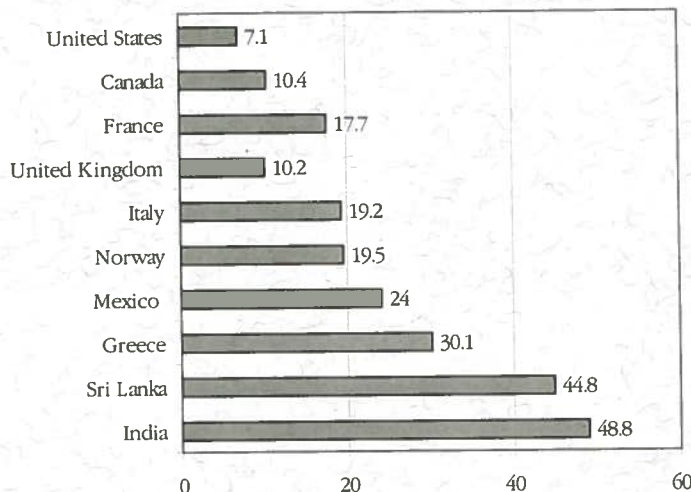
What does Food Cost?

The answer depends on one's income level, the number of people in the household and where you live. If you are in a single parent household with an average income of \$25,000 after taxes, you spend over 18% of income on food. That works out to about \$372 per month. If you are in a husband and wife household with children and with an average income of more than \$58,000 after taxes, you spend about 12% of income on food or about \$580 per month.

As incomes rise, consumers spend a smaller percent of their income on food even

though they spend more actual dollars. This is true in the United States and around the world. In fact, over time as incomes have risen in the United States, the percent of personal disposable income spent on food has fallen from an average of 25% in 1960 to 11% in 2002. In the rest of the world, consumers spend a larger percent of total consumption expenditures on food at home than we do. See the chart for an illustration of this phenomenon.

Global Percent of Consumer Expenditures Spent on Food & Alcoholic Beverages at Home-1996



Source: USDA, ERS, Table 98

<www.ers.usda.gov/briefing/CPIFoodAndExpenditures/Data/table98.htm>

Food Habits: Recalling 9/11

Following the September 11th attack of the World Trade Towers The Food Industry Center initiated two focus groups in New York City and two focus groups in Minneapolis to explore consumer attitudes toward food, and how they changed. We thought that now, over a year later, we would reflect on what we learned.

September 11th accelerated existing food attitudes and behaviors rather than creating new trends. However, the following changes noted by about forty consumers in two diverse locations last January are worth considering.

Refocusing on what is truly important - relationships, a sense of self-identity and morality, and an urgency for quality of life. This trend has resulted in the return to comfort foods, a greater desire to nurture others through food (e.g., baking and more elaborate meal preparation for the family), and indulging oneself in high gratification foods. As a diversion from the terrorist event itself consumers reported turning to the Food Channel more frequently.

Budget cutting or watching spending. This trend is rooted in the economic recession, which began well before 9/11.

This trend has resulted in consumers buying more foods in bulk, and sometimes doing without non-essential items.

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Upcoming Events

Board of Advisors Meeting

October 10-11, 2002

McNamara Alumni Center

2002-2003 Seminar Series

October 29, 2002

Simon Foster, Simon Delivers

November 14, 2002

Ronald Feilding, Hormel Foods

See our website for full seminar details
<http://foodindustrycenter.umn.edu>

CO-DIRECTORS' NOTEBOOK

The Food Industry Center recently initiated a new internet-based supermarket customer survey. The survey was inducted at two Kowalski's stores, an upscale family-owned chain, in the Minneapolis-St. Paul area to test the questionnaire and the methodology. Kowalski's and the Center were very pleased with the results.



Major retailers, such as Target, are now using internet-based customer surveys. The costs are dramatically lower than for mail or telephone surveys. Moreover, response rates for traditional survey methodologies have fallen sharply in recent years. Most households are particularly tired of telephone calls in the evening that are seeking to sell them something or get their opinion on something. In addition, more and more people have access to the internet at home and/or work, or somewhere such as a public library, and have become very comfortable with using the internet.

Our survey consisted of some 12 questions and took only a few minutes to complete. The first question focused on the customer's level of satisfaction with a range of store features from the store location to the competitiveness of the prices. Specific questions were then asked for four perishable departments: the bakery, deli, produce and meat departments. The next question asked if this was their primary supermarket and the major type of shopping they do there. They were also asked what changes would most improve their shopping experience at the store. A surprising number of respondents took the time to write thoughtful, and mostly very complimentary, comments. The survey ended with a few demographic questions on gender, age (in categories), number of people in the household, number of children, employment status, and household income (in three broad categories). Customers completing the survey remained anonymous and their privacy protected.



In the future, the survey questions can be tailored to meet the customer feedback that a particular store is seeking. Kowalski's did suggest that if they were doing surveys again they would like a question on how the customer compared their store with their direct competitors, other

upscale supermarkets in the area, on features such as price, quality, variety, and service.

Cashiers at Kowalski's two stores handed out a specified number of coupons to shoppers who looked to be over eighteen years old and bought more than \$25.00 of groceries. The coupon was good for a free beverage from the in-house Starbucks coffee bar, in each store. The coupon gave the "url" for the customer survey, where they were invited to go and complete the 12 questions. The coupon indicated that when they had completed the questionnaire they would receive a confirmation code before they logged off which would validate their Starbucks coupon so they could redeem it whenever they chose to use it. However, the couponing could obviously relate to any product a store chose. Moreover, in many cases a food manufacturer or other supplier might be willing to cover the cost of the couponing to promote their product.

With this successful test of our methodology, the Center plans to launch the customer survey nationally over the next several months. We will be contacting several major food manufactures to solicit their interest in underwriting the survey as a way of promoting their products and strengthening the goodwill of their relationship with supermarkets. In addition, we plan to make the internet-based customer survey available to supermarket chains to utilize in any stores of their choosing for a small fee to cover costs. The Center would maintain the website, analyze the results, and provide a proprietary written report to participating stores.

Mavis Sievert—Farewell

After 7 years with the Center, Mavis Sievert is retiring at the end of October. Over the years, Mavis's thorough attention to detail and administrative insights benefited the workings of the Center in numerous ways. She kept the Center running smoothly with her command of everyday tasks and brought an organizational flare to meeting planning that will be sorely missed. Mavis has been a cheerful voice, offering helpful insights to anyone needing information about the Center. Her behind the scenes dedication allowed others to function more fully in their given roles.

Mavis, thank you for your tireless devotion to the Center, you and your work will definitely be missed. We hope that retirement will be rich and full of laughter and joy; no one deserves it more than you!



Dennis Degeneffe—Director of Marketing



Dennis Degeneffe joined the Food Industry Center in March of 2002 as Director of Marketing. He has facilitated a strategic planning effort for the Center resulting in the development of an

Integrated Food Industry Program, and is responsible for the recruitment of a Program Leadership Board to provide industry connection to the program. He also is the Principle Consultant for Consumer Centric Solutions LLC.

Dennis comes from a 24 year Marketing and Marketing Research career in the Food Industry that includes Kraft/Oscar Mayer Foods, Pillsbury, McDonalds and General Mills. Most recently he held the position of Senior Director of Consumer Insights at The Pillsbury Company, where he was responsible for doing corporate level strategic research. He holds an MBA from the University of Wisconsin-Madison, and has taught Applied Marketing Research at the University of St. Thomas Graduate School of Business.

Program Leadership Board Inaugural Meeting

The first meeting of the newly formed **Program Leadership Board** occurred on **September 26th and 27th** at the McNamara Alumni Center on the University of Minnesota campus. The list of **Charter Members** includes prominent executives representing 12 major organizations in, or doing business with the food industry, including:

Jay Buckingham—Old Dutch Foods
Henry Edwards—Ahold USA
Steve Frank—Jenny-O Foods
Bill Goergin—A.C. Nielsen
Diane Harper—General Mills
Scott Haws—Land O'Lakes
David Jenkins—The NPD Group
Larry McCurry—Unilever
Libby Pidegon—SUPERVALU
Jeffrey Poore—Nash Finch
Scott Portnoy—Cargill
Daryl Schaller—International Multifoods

The role of the Program Leadership Board is to provide an industry linkage for the Center in the development of its **Integrated Food Industry Program**. This program was created in answer to needs voiced by corporate recruiters for the development of leadership skills in future graduates.

Today's competitive and economic pressures force organizations in the Food Industry to focus on efficiency and productivity. Consequently there is a growing need to provide students in our program with a greater breadth of knowledge across various

food businesses and food related disciplines, and to leverage this knowledge in the development of communication, interpersonal and leadership skills. In many organizations it is no longer sufficient to be a functional expert. Future employees must have a broader vision, and the ability to communicate across disciplines to drive business results. "Educating the Leaders for Tomorrow's Food Industry" has become the mission of the Food Industry Center.

The primary agenda for our inaugural meeting was to begin a dialogue with the Program Leadership Board and the Center's Faculty around industry issues, and how career paths are changing. As we move forward, their guidance will be instrumental in helping the university set student requirements, curriculum and a research agenda. We at the Center are eager about this new opportunity to connect with the industry.

Heidi Van Schooten—Executive Administrator



With Mavis retiring this fall, some big shoes need filling. On June 10, Heidi Van Schooten began working with the Center. One of her initial projects was helping to complete the launch of

the Center's new website at <http://foodindustrycenter.umn.edu>. She will continue managing the website and is

Recalling 9/11, from page 1

Increased sensitivity about food safety.

The primary causes of this increased sensitivity are rooted in longer-term issues such as tampering (going back through the 1980s and 90s), mad cow disease, and food handling contamination (e.g. salmonella). However, there is a latent concern over the potential for terrorist attempts to contaminate our food supply. Consumers are more suspicious with respect to any damage to packaging, or evidence that a package has been opened, and how food is prepared. The favored **foodservice establishments are those that prepare food in front of the customer** rather than in a behind the scenes.

Choosing fresh produce, dairy, and meat over prepackaged foods.

Consumers say they have more confidence when they can visually inspect fresh, non-packaged foods, than they do with sight-unseen food in a package "that may have been tampered with in the plant."

Stockpiling staple foods immediately after a terrorist event. Some bought up food and water to make sure they did not run out. Bottled water was mentioned more than any other item.

Feeling of frustration with the vagueness of government information. Distrust of government and regulatory agencies ability to protect citizens was notable.

Akshay Rao, Professor of Marketing and Logistics Management in the Carlson School of Management was primarily responsible for initiating this investigation. We make no claim that these findings represent the overall population, but only those who were in the four focus groups.

learning the ropes from Mavis until she retires. The transition promises to be smooth.

Heidi comes to us after working in the Department of Applied Economics for 3 years. Previous to that she worked in the insurance industry for 4 years. She graduated with a BA degree in Cultural Studies from Bethel College in St. Paul, MN and is completing a second BA in Studio Arts from the University this fall.

DID YOU KNOW?

• **Poor Pay Less?** Food prices are 6% lower in poor neighborhoods with white and Hispanic residents than in affluent neighborhoods or black neighborhoods in New York City. (Ph.D. Dissertation, Princeton U., L.K. R.Hayes, 2000)

• **Museum of Food Failures.** In Ann Arbor, MI there is a museum of food failures called NewProductWorks Product Collection. More than 70,000 empty packages of failed products are arranged by category as if on a grocery shelf. Robert and Judith McMath, collectors and owners of the museum add 5,000-7,000 new packages every year. Only about 1-2 out of every 10 new products introduced succeed in the market. Why? They don't taste good, they insult people, they are difficult or confusing to use. Two notable failures are Garlic Cake and Gerber's Singles. (Christian Science Monitor, 7/2/2002)

• **First Grocery Cart.** The first grocery cart on wheels was invented in 1937 by Sylvan N. Goldman for his Standard Food Stores in

Oklahoma City. It was a folding cart with two baskets, one above the other. It changed the configuration of food stores forever more. Its history can be read in *The Cart that Changed the World* (1978) by Terry Wilson.

• **Fats and Oils.** McDonald's began using a new oil in which to fry French Fries that reduces the trans fatty acid by 48% and saturated fat by 16%. It also boosts the more beneficial polyunsaturated fat by 167%. It does not change the total fat or the calories which are 540 for a small order. The oil was developed by Cargill. (Food Institute Report 9/9/02)

• **Order On-Line.** On-line grocery shopping is coming back and growing, especially on the West Coast. In January 2002 16% of supermarkets offered on-line ordering compared to 12% one year earlier. 10 percent of shoppers reported using on-line service at least once a month. (Food Institute Report, 8/6/02)

• **Don't wash those apples again!** Kroger Stores in Houston, TX, will be selling all types of fresh produce ready-to-eat. It will

have been washed with Suntex Safety Wash System that leaves no chemical residue and placed in protective packaging. (Food Institute Report, 8/26/02)

• **What's in that food?** The Agricultural Research service has launched an updated version of its flagship database that reports nutrients in 6,220 food items. Called "Nutrient Database for Standard Reference, Release 15" or SR15, it is the authoritative source for food composition in the U.S. To view it go to <http://www.foodinstitute.com/nutrition.htm>.

• **QUIZ:** Who owns the company that sells these brand names? (Answers below)

1. KFC fried chicken 2. Tropicana orange juice 3. Minute Maid orange juice 4. Russer Fat Free Ham 5. Wheaties 6. Chi Chi Mexican Food 7. Pillsbury Funfetti Cake Mix 8. Ben & Jerry's 9. Equal sweetener 10. Kit Kat candy bar

Answers 1. Yum! Brands 2. PepsiCo Inc. 3. Coca Cola 4. Tyson Foods 5. General Mills 6. Hormel 7. Multifoods 8. Unilever PLC 9. M&S Co. 10. Nestle

For publication or event notices, please sign up on our website at <http://foodindustrycenter.umn.edu>.

TFIC RESEARCH REPORTS AVAILABLE FOR PURCHASE:

Supermarket Panel Annual Report	\$95.00
Working Papers, as listed on website	\$22.50
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