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The Food Industry Center
UNIVERSITY OF MINNESOTA

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SUPERVALU

Director's Column



Jean Kinsey

For fifteen years I have been the Director or co-Director of The Food Industry Center (TFIC). It has been intellectually and logistically challenging, fun and rewarding. Starting with the Alfred P. Sloan Foundation's offer to establish an industry study center focused on food at the UMN in 1995, a complement of people and backers made it happen. Initially the Sloan Foundation charged us with studying the efficiency and performance of the retail food industry which we did, but expanded our research to the entire food supply chain as issues of food safety, consumers' health, and public policy grew to dominate the interests of our faculty and sponsors. As I retire and turn over the leadership of TFIC to the very talented Drs. Robert P. King (Director) and Timothy Beatty (Associate Director), I decided to focus my last Director's Notes column on some of the big picture developments we have studied in the food industry, make some observations on being a Center Director in a University and last, but far from least, say a special thank you to some of the key people who helped to make and sustain the Center's success.

Changes in the Food Industry

Led by Wal-Mart, the idea of electronic data exchange across the supply chain was emerging in 1995. It was developed so all supermarkets could adopt more efficient supply chains and try to compete on price with the big-box stores. As a result, the consolidation of small and mid-sized supermarket companies proceeded apace, until today, our nation has a few large supermarket chains and several small specialty chains and independents. Most of the chains are almost as efficient as the big box stores; others have decided to compete for consumers on qualities other than price. I formerly called this the bifurcation of the retail food industry - low price and non-price sellers; now it is a fragmentation.

The pattern of alternate consolidation and fragmentation continues up the supply chain to manufacturers, processors, and farmers. Consolidation was driven mostly by the quest for economic efficiency and competitive pressure from big box stores. Fragmentation is driven by a growing population that is ever more diverse in its tastes and needs and much better informed through access to multiple media including in Internet. The mass market is over! Niches big and small are here.

Related, but separate developments have put food at the center of consumers' expectations, demands, and fears. One is the scientific development (including genetic modification) of seeds and food designed to boost crop yields and improve health and nutrition of both humans and animals. It put food at the center of the quest for better health with the promise of delivering preventative medicine through food. The second development came, in part, as a backlash against these scientific developments and against the consolidated multinational companies that were perceived to dominate and control the supply of food.

Questions and concerns about factory farms, genetic alteration of seeds, carbon footprints and green house gasses, soil and water pollution, maltreatment of animals, pesticide residues and/or mystery chemicals or allergenic ingredients in food, and the uncertain safety of imported and processed foods have altogether spawned a variety of movements that demand changes in food consumption, production, and delivery. Food has been identified as the villain and the solution for many social causes, including environmental sustainability and better health. These intertwined movements have led to economically viable demand niches for food that is organically produced, fresh and "natural", locally produced, and/or largely prepared and cooked at home. Some would call this an elitist food movement since this food is generally produced at higher cost and has yet to prove sufficient to "feed the

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world's hungry people.” However, this idea has penetrated large and numerous segments of consumers and food marketers have responded. Food niches contradict a long-standing quest for convenience and low prices by consumers as well as industry's quest for efficiency. But many consumers express a willingness to pay extra for these “white collar foods,” perhaps because they perceive larger benefits in terms of human and environmental health and strive for “control” over the food they eat. It also reinforces the fight to reduce obesity, another human health condition tightly related to food consumption and marketing over the past fifteen years.

The food industry makes for a complicated story. Every person on earth demands food; there are low barriers to entry into this system but success is uncertain, competition is fierce, and government policies both inhibit and promote sustainable and profitable enterprises. The research challenges will go on forever as new issues arise and old issues reappear.

Directing a University Center – Some Observations:

Centers strengthen the multi-disciplinary work and relationships between faculty and students. The director needs to facilitate and encourage these relationships through funding joint projects and proactively soliciting faculty participation from around the University in seminars, field trips, and other types of learning experiences. The Sloan Foundation charged all its industry study centers to walk the floors of the factories and offices where their industry operated – a practice that has been invaluable to good research about the food industry. After the Center's seed money from the Sloan Foundation expired in 2006, most of the Center's funding has been from federal grants from NIH, USDA and DHS and from industry sponsors. The Director is always thinking about the next grant, the industry sponsors, the next big idea and the next researcher (faculty, student or post-doc) to help sustain the Center and make it relevant to all stakeholders. I went from a full time teacher and researcher to a more than full time teacher, researcher and quasi-administrator. Running a center in a University is like managing a small business. You worry about personnel, budget, revenue, and the quantity and quality of output.

You have to sell participation in the Center's activities to faculty and administrators inside the University and sell the value to funders outside the University. It is a constant challenge and yields a stream of rewards.

Thank you!

I apologize in advance to those whose names do not appear here because there are hundreds of people who have contributed and will continue to contribute to TFIC's success. However, there are a few individuals that, in my mind, made a critical decision or took a critical action that made TFIC possible initially and moved it ahead at critical times. Without identifying their affiliations or positions they are: Hirsh Cohen, Gail Pesyna, the late Vern Ruttan and James Houck, Jon Seltzer, Mike Wright, Lloyd Segal, Dale Riley, Ben Senauer, Mavis Seivert, Lisa Jore, Dennis Degneffe, Rand Park, Larry McCurry, FrankBusta, Jeff Noddle, Rick Schneiders, and John Johnson. Finally, I also want to thank Brian Buhr, Head of the Department of Applied Economics for his extraordinary support and foresight and to Robert P. King for becoming the next Director. TFIC is in good hands.

Food Thought

Are you looking for thoughtful, cross-sector perspective on current food issues in an online forum? The Food Industry Center introduced its Food Thought blog at the 2010 Spring Symposium to provide this discussion. Leading academic researchers provide their thoughtful perspective on current issues and research in today's food world. Readers are welcome to expand the discussion by providing their consumer, researcher, or industry perspective.

Feature posts have addressed topics of social media influence in the food industry, how increasing obesity rates may impact the 2012 Farm Bill, and in-depth analysis of local foods supply chains.

The Food Industry Center
**FOOD
THOUGHT**
Blog

Industry's Changing Relationship with its Consumers is Dominant Theme of 2010 Symposium

"What others say about your brand is so much more powerful than what you can say about it yourself" (Reis, *The 22 Immutable Laws of Branding*). Deploying this word of mouth strategy in an electronic, social media format has become an effective and efficient way of building relationships and engaging with consumers. It was also the theme of this year's TFIC 2010 Symposium -- *The Opportunities and Challenges of Social Media in the Food Industry*. Speakers from industry and academia shared their views about themes of increased and efficient consumer feedback, consumer self-branding, privacy and data accuracy concerns, and the outcomes of engaging consumers in a viral environment.

In his keynote speech, Director of Brand Marketing for General Mills Greg Zimprich, explained the company's social media strategy of inviting consumers to get involved and interact, then inspire them to share their General Mills experience. His advice - "Pursue (this) relationship with the goal of improving what you do as a company as a result of what you learn from the customer." Consumer Engagement Networks (think blogs), also allow the company to build direct relationships with its consumers through the introduction of their products to bloggers. The subsequent product feedback creates a buzz for a new product and allows General Mills to incorporate consumer feedback and discussion (good or bad) into their product marketing and development strategies.

Foodservice companies have also embraced the marketing benefits of social media strategies. According to Matthieu Geze, President of the Tillbury Corp., the information-starved foodservice sector now has 330 million fans on Facebook. Consumers who build their own profile (interests, location, likes and dislikes), provide companies the opportunity to craft niche marketing strategies. Geze recommended creating a social media environment to which consumers want to return by answering consumer questions and acknowledging their opinions, but cautioned against the "unwelcome noise" of pushing too much content onto consumers. David Erickson, Director of e-Strategy at Tunheim Partners, maintained people are turning to their own social networks for trusted word of mouth recommendations on decisions like choosing restaurants, and are shifting away from traditional media advertising claims. Consumers are talking to the brands and documenting their experience, positive or negative, and if companies do not respond, it shows their indifference to the consumer experience.

Food safety incidents have demonstrated the viral efficiency of social media communication in the food system. Dr. Craig Lefebvre discussed the FDA's use of this real-time,



Greg Zimprich gives his keynote speech at the 2010 Spring Conference

information sharing structure to direct people to an online recall database during a 2008 peanut butter recall. The agency posted their first blog, developed webinars for bloggers, created video on YouTube, online graphics, widgets and Twitters feeds that reached 3,000 followers. In response to this "intermediation" strategy, the FDA database received over 20 million views. A second example, comes from a 2007 video posted on YouTube of abusive animal treatment at the Westland/Hallmark meat packing plant. The video triggered the largest beef recall in U.S. history, not for a food safety issue, but initially, for an animal treatment issue. Professor Brian Buhr and researcher Jon Seltzer noted how the speed and transparency of the YouTube video bypassed the established routes for systemic change and emphasized that issues of compliance are not as compelling as noncompliance issues in the social media world.

University of Minnesota researchers noted the uncertainties that still linger around social media marketing. Associate Law Professor Bill McGeveran characterized one consumer's legitimacy to influence another consumer in the social media environment as "Reputational Piggy-Backing." In this environment, the public has expressed concerns about disclosure of private information, intellectual privacy, information quality, and identity control. The current sources of legislation that address these concerns come from privacy laws, trademark and unfair competition, persona rights law, or consumer protection law. Laura Gurak, Professor of Writing Studies at the University of Minnesota, has observed the development of "Folksonomies" – the self-selection nature of users to generate their own content and identify their preferences. While its benefits provide inexpensive and fast access to specific demographics or product promoters, uncertainty around the viral speed of misinformation and malicious targeting, social-psychological dynamics, and

Did You Know?

Bug Juice on the Label?

Starting January 2011 manufacturers will be required to label the coloring used in food as “carmine or cochineal extract” if they have used the crushed bodies of the female cochineal insect to color their ice cream, yogurt, or fruit juice. Currently, the ingredient is hidden under “color added.” (Youso, Minneapolis Star & Tribune, 6/22/2010, E1)

Eating out is Fattening?

Each additional meal or snack eaten away from home adds 134 additional calories to one’s daily diet on average and without changing anything else, could increase one’s weight 2 pounds a year. (Todd et al., Amber Waves, June 2010. ERS, USDA)

Poorest Children Receive Lower Food Benefits

Average household food assistance benefits for children in the poorest households declined by \$53 a month between 1990 and 2004, while these benefits rose in the near-poor households. Participation rates in school lunches and WIC went up over that time period. (Todd et al, Amber Waves, June 2010, ERS, USDA)

Tighter Safety for School Lunch Hamburger

USDA has finalized tougher new standards for ground beef purchased by the Agricultural Marketing Service (AMS) for federal food and nutrition assistance programs, including the National School Lunch Program beginning July 1, 2010. Their zero tolerance policy for E. coli O157:H7 and Salmonella remains in effect. New AMS standards also tighten microbiological testing protocols and upper specification and critical limits; increase sampling frequency for finished products to every 15 minutes; and, (4) institute additional rejection criteria for trimmings. The new purchasing requirements can be found on the AMS website.

Taxing Beverages to Reduce Obesity?

Taxing caloric sweetened beverages could potentially lower beverage consumption, calorie intake, and obesity according to findings from an USDA ERS study. The study estimated a tax that would induce a 20 percent price increase on caloric sweetened beverages could cause an average reduction of 37 calories per day, or 3.8 pounds of body weight over a year for adults, and an average of 43 calories per day, or 4.5 pounds over a year, for children. (Smith et al, ERS Report July 2010)

No Food Price Inflation this Year?

Retail food prices in early 2010 were up less than 1% from the same period last year. The largest price increases were in bacon, chicken, and potatoes. Prices dropped for corn oil, tomatoes and eggs. (Chicago Tribune, AP, July 1, 2010).

Quiz:

Match the Brands to the Company that produces them.

Brand: a) Krackle Candy Bar; b) Reeses Peanut Butter Cups; c) Yoplait Yogurt; d) Marie Calendar frozen entrees; e) Healthy Choice; f) Miracle Whip

Company: 1) Con Agra; 2) Hershey; 3) Kraft; 4) General Mills

Answers: a-2; b-2; c-4; d-1; e-1; f-3

Gulf Concerns about Safety of Gulf Seafood Reflected in CFST Survey

Recent results from the Consumer Food Safety/Defense Tracker (CFST) project show an increased concern over the safety of seafood from the Gulf of Mexico. When asked how the Gulf oil spill will affect their seafood consumption, 54 percent of

Industry’s Changing Relationship cont...

longevity of public interest still exists.

The Symposium’s social media user panel comprised of instructors, researchers and students discussed the pitfalls and benefits of social media use. Researchers appreciated the aggregated and instantaneous access to information, while one undergraduate student used her Facebook page to create her brand to potential employers and colleagues. Reflecting on common privacy concerns of social media use, the panel debated whether privacy is possible, and concluded that if it is put online, its public information.

The symposium was held on April 28th with over 70 people from industry, government, and academia gathered to discuss how ubiquitous social media tools are changing the way they communicate with consumers and the public about the food they eat. Copies of the Symposium’s presentations are available on the TFIC Past Events webpage. The discussion continues on the Center’s Food Thought blog. You are invited to visit and comment! We’d like to hear about your experience with social media.

respondents said it will have some impact and 44 percent of that group said they would only eat seafood they know does not come from the Gulf of Mexico. Another 31 percent said they will eat less seafood regardless of where it is caught.

“Given the amount of news coverage the oil spill has received, these results may not be surprising, but it does show that consumers are connecting the event to food safety” said survey research Dennis Degeneffe.