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Forces Affecting the Food Industry to the Year 2000

Bob Diens

I started in the business 38 years ago in Chicago, Illinois, as a courtesy clerk. The store manager, John Egan, told me it was a simple business; all you have to do is:

1. continually strive to increase sales;
2. reduce operating expenses;
3. control inventory on hand;
4. take care of the customer; and
5. take care of your employees.

Then profit will come by itself.

Today is not different than it was 38 years ago, except it is a little more complex.

I have no crystal ball to see what is going to happen in the next few years, and I have only been a division manager for eight months. But, when asked to speak to your group, I started thinking of many of the changes that have taken place and the issues that we deal with today, issues that we never thought of not too many years ago and that we will face in the future. I'd like to share some of these thoughts with you.

External:

Government Agencies, Rules, and Regulations

When it comes to government--no puns or sarcasm intended--I'd like to start with an opening paragraph from a publication about some of the issues at hand:

Senators Tom Parkin (D-IA) and Larry Craig (R-ID) concerning the Department of Labor's HO12. On August 12 FMI submitted comments to *OSHA* opposing the proposed regulation on indoor air quality in nonindustrial work sites. On August 4 the *FDA* published an *ANPR* requesting extensive information regarding whether *HACCP* should be applied to the entire food industry. A compromise version of the *PRA* has been approved by the *SGAC*.

Diens is Senior Vice President & Division Manager, Safeway Inc., Bellevue, WA.

Momentum is building for Congress to reauthorize *CERCLA*. [italics added]

Got it? I don't, and we're trying to run a business!

We have *OSHA*, *WISHA*, *FDA*, and *FTC*, just to name a few. Also:

- Child labor laws -- a 16-year-old can drive a car that goes 150 miles an hour but can't drive a trash compactor.
- *e coli*
- pesticide use
- toxic waste
- national bottle bill
- ground contamination
- discrimination quotas
- food labeling laws
- employee benefits -- health care issues (a major concern)
- We must be sensitive to recycled products.
- scanner accuracy
- environmental issues
- alcohol testing rules
- Americans with Disabilities Act
- Civil Rights Act
- Country of Origin labeling
- dietary supplements
- BST (bovine somatotropin)
- food safety
- fresh vs. frozen labeling
- ground beef adulteration
- ground beef labeling
- labeling of fresh fruits and seafood (It's costly putting labels on grapes one at a time.)
- meat and poultry safe handling
- meat and poultry inspection
- minimum wage
- nutrition labeling (*FDA*)
- nutrition labeling (*USDA*)
- nutrition labeling extension
- *OSHA* abatement verification
- *OSHA* indoor air quality regulations
- (one I like) Paperwork Reduction Act
- Perishable Agricultural Commodities Act (*PACA*)

- pharmacy lawsuit
- product liability
- public affairs activity
- School to Work Initiative
- short weighting
- striker replacement
- targeted jobs tax credit
- unemployment compensation issues
- weights and measures
- Workers' compensation (has become another major cost)
- ergonomics

A lot more could be added to the list. Most of these add to the cost and complexity of the business. A lot of them we have brought on ourselves by not doing things right in the first place.

Internal: System Enhancements

Reengineering is going on nation wide. What is nice to have and what do we really need? We have a report or measurement for everything. We can measure:

- product movement
- productivity (labor standards)
- inventory levels (now we have E.C.R. for product replenishment)
- working capital
- energy management
- promotional specials markdowns
- transportation costs
- controls (monitor cash and check losses)
- service levels
- market shares
- customers (through market research)

If systems are managed properly, these can be major cost savings; if not, they will be a major expense. But measurement will continue to become more sophisticated. Remember to check whether you really need it or whether it is just nice to have.

We now pay more attention to:

- category management
- diverting
- back haul opportunities
- anti-shoplifting systems (security is a growing cost of doing business)
- departments we never before dreamed of
- food courts in side stores
- F.T.D. floral shops
- pharmacies (in a grocery store?)

- employee concerns (good help is hard to come by)
- quality of life issues (people no longer want to work six or seven days a week)
- management style
- sanitation

Competitive Environment

We have evolved from the mom and pop specialty store to the supermarket. The supermarket got fancier; we went from service to self service to service; now we're back to self service. In the late 50s and early 60s we saw deep discount stores like Topps and White Elephant. Then we had the bare bones warehouse stores. Now we have a more sophisticated warehouse store with specialty departments and the club stores.

We also now have convenience stores (Star Mart, Dairy Mart). These drive up the cost of the suppliers. Now we can shop at home; we can call in an order or use a computer and never have to go to the store. Weren't we doing that 60 years ago with home delivery?

And now the biggest threat on the horizon is the "super center," very good stores using the concept of one-stop shopping. The battle of the super centers is just beginning and will go on for some time.

In many of the formats mentioned above, we have gone full circle. My opening statement holds true still today. The conventional grocery store has been around for a long time; and as long as we

- continually strive to increase sales,
- reduce operating expenses,
- control inventory on hand,
- take care of the customer, and
- take care of the employees,

we will make a profit, continue to grow, and be around for a long time. The only difference today is we have to stay ahead of the game and embrace change.

There will definitely be more government regulations and other outside influences to deal with. There will be more enhancements to help us simplify our business or to help us make it more complex. And competition will continue to grow.

But the best retailers never stop learning. The ones who stop go away.