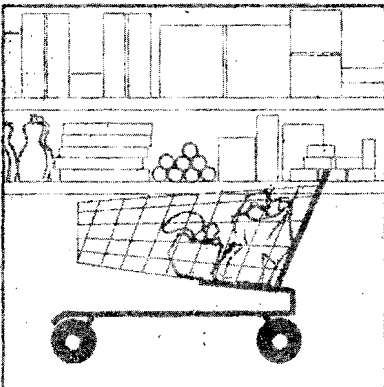
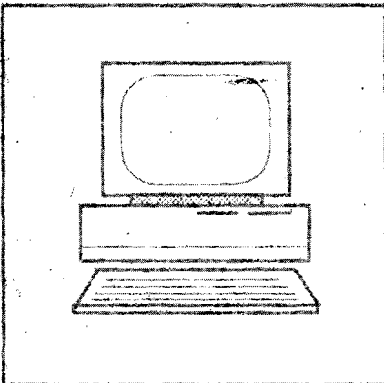
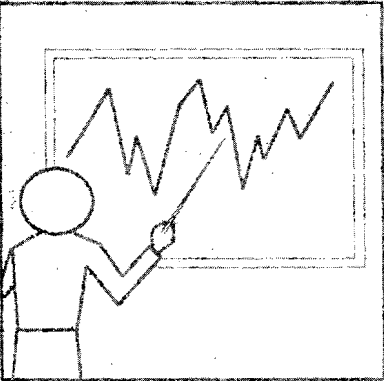


Cornell  
Food  
Industry  
Management  
Program

*A Presentation Guide to:*  
**The U.S. Food Industry**

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## **Preface**

Frequently individuals and organization have need of information describing the contemporary U.S. food system for presentation at various company meetings or industry conferences. The purpose of this bulletin is to provide materials and data relevant to today's food industry in a form that can be readily used by others to create presentations of their own. The bulletin provides over 40 overheads of graphs, charts and tables often used to describe and summarize the important trends and challenges facing the food industry.

The first section presents brief statements to assist with the interpretation of the information presented in each accompanying overhead and to help guide the presenter through the information. The second section contains each chart in a convenient form with the intent that they can be copied onto overhead transparencies.

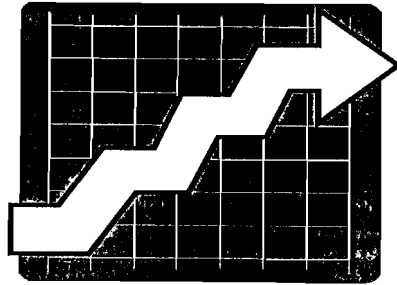
## **Table of Contents**

A.	Summary Statements	
	Section I: Structure of the Food Industry .....	1
	Section II: Consumers and Food Trends .....	3
	Section III: Policy Issues of the Food Industry .....	5
	Section IV: Food Manufacturers.....	8
	Section V: Food Wholesalers and Retailers .....	16
	Section VI: Financial Performance.....	22
	Section VII: Directions for the Future.....	23
B.	Overhead Visuals	

## Section I:

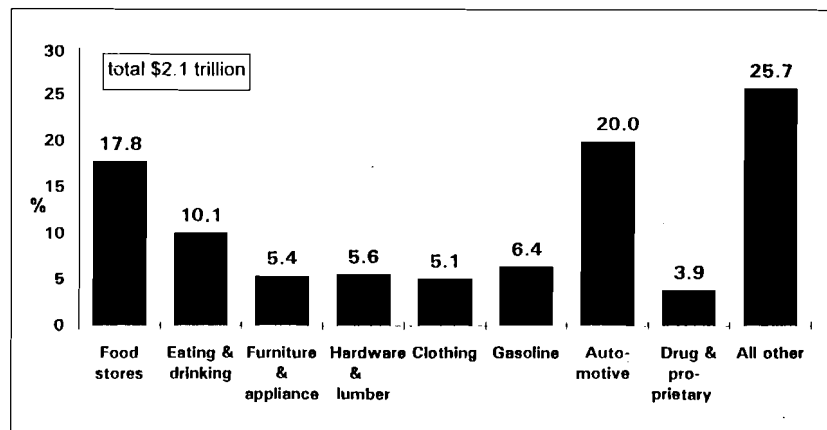
### Structure of the Food Industry

## Structure of the U.S. Food Industry



- In 1993, total U.S. retail sales amounted to \$2.1 trillion.
- Retail sales from food stores amounted to 17.8 percent of total U.S. retail sales. This is just less than retail sales from the largest sector, automobiles.
- When food retail sales are combined with eating and drinking establishments, they become the largest retail segment in the U.S. with 27.9 percent of total U.S. retail sales.

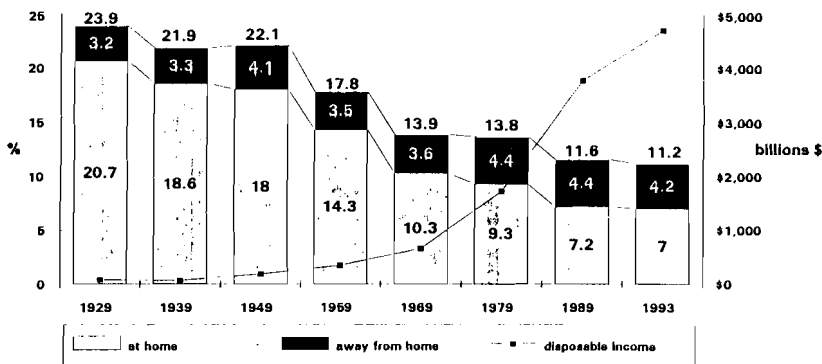
### Divisions of U.S. Retail Sales, 1993



Source: U.S. Department of Commerce

- Disposable income for Americans has risen continuously since 1939.
- At the same time, the proportion of disposable income spent on food has decreased almost without interruption for over 60 years. In 1929, almost one-quarter of disposable income was spent on food. In 1993, only 11.2 percent was spent on food.
- In recent years, a growing portion of the total food bill is being spent on food away-from-home. In 1929, 13.4% of all food expenditures took place away from home. This portion grew to 37.5% in 1993.
- The low percentage of disposable income spent on food in the U.S. is often used as an indicator of the efficiency of the U.S. food and agricultural system. This same measure for the majority of developed economies is between 18% - 25%.

### Food Expenditures as a Share of Disposable Personal Income



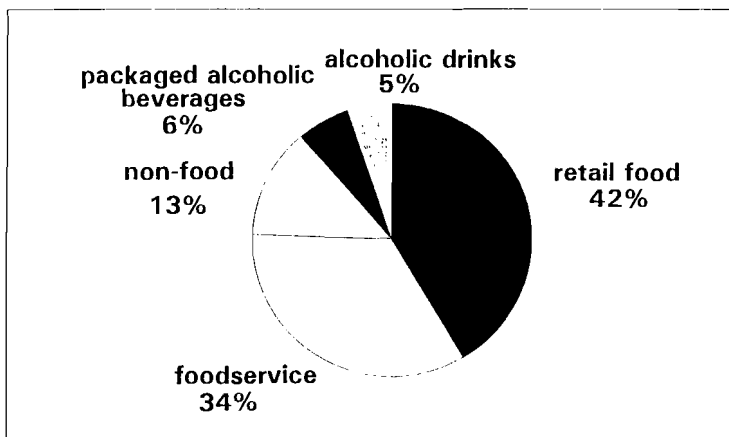
**At home:** includes food purchases from grocery stores and other retail outlets, including purchases with food stamps and food produced and consumed on farms, because the value of these foods is included in personal income. Excludes government-donated foods

**Away from home:** includes purchases of meals and snacks by families and individuals, and food furnished employees because it is included in personal income. Excludes food paid for by government and business, such as food donated to schools, meals in prisons and other institutions, and expense-account meals.

Source: Food Cost Review, 1993, USDA Agricultural Economic Report #696

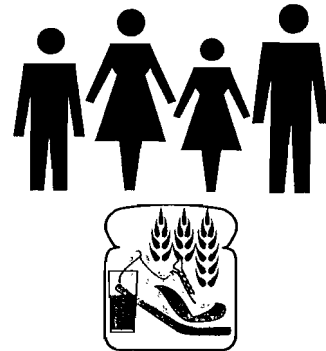
- Retail food stores are the single largest segment of the U.S. food system accounting for 42% of the total food sales.
- Food service (eating and drinking establishments) contribute 34 percent of the U.S. food and beverage spending.
- Non-food items that are sold in retail food stores such as paper goods, detergents, etc. account for 13 percent of food system sales with the rest going to alcoholic beverages.

### U.S. Food System Sales



Source: Food Marketing System in 1993, USDA Agriculture Information Bulletin #706

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**Section II:****Consumers and Food Trends****Consumers and Food Trends**

- 
- Actual consumption patterns for many foods do not reflect the greater concerns for health and nutrition reported by many consumers.

**The Health Conscious American ?**

- After holding steady for 20 years the proportion of Americans who are seriously overweight rose from 25% to 33% in the 1980's. (Centers for Disease Control)



- "...fortysomethings are now heavier than fortysomethings were 10 years ago, thirtysomethings now are heavier than thirtysomethings then..." (*Time*, Jan 16, 1995)
-

- (continued)

### The Health Conscious American ?

• Coca-Cola spent \$107.7 million in 1993 advertising a single product: Coke Classic. The produce industry spent \$55 million on an educational program to promote its entire product line, from asparagus to zucchini.

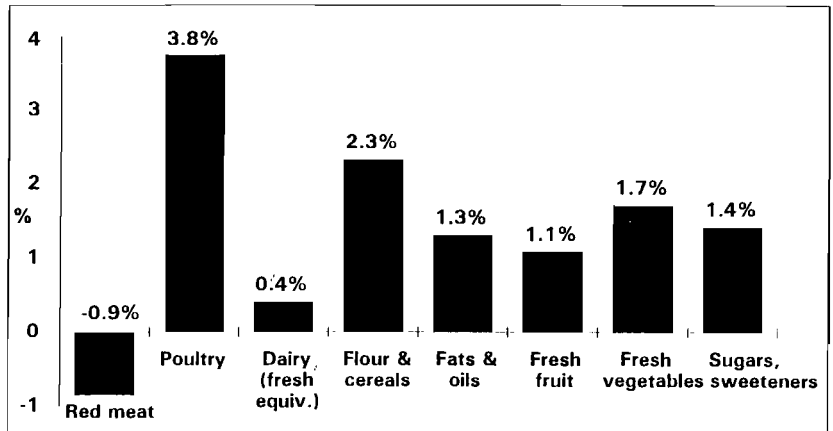


• Although people are eating less now than their ancestors did at the turn of the century, the rate of obesity now is much higher due to lower activity levels and changes in diet composition. (*Time*, Jan 16, 1995)

- Whereas Americans have increased their per capita consumption of poultry, cereals, fresh fruits, and fresh vegetables, consumption of fats and oils have also risen.
- Consumption of sugars and sweeteners have also increased partly reflecting the greater use of corn sweeteners in soft drinks.

### Diets Have Changed in the Past Decade

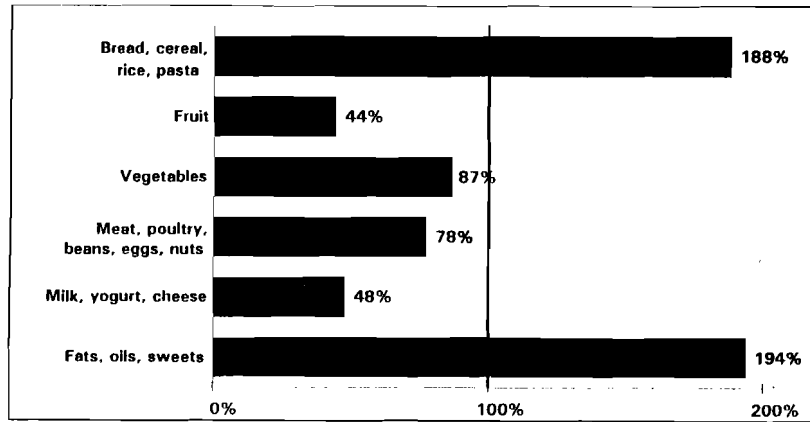
Average annual change in per capita consumption, 1980-1993



Source: Food Cost Review, USDA Agricultural Economic Report #696

- Americans are eating less produce than they say they are and are eating more fats and oils.
- When comparing consumers' eating habits to the diet recommended by the USDA Nutrition Center, a recent study found that Americans are eating more fats and oils and more breads, cereals, rice and pasta than recommended.
- They are also eating fewer fruits and vegetables, meats, and dairy products than recommended by the Nutrition Center.

### American's Consumption of Recommended Servings *Percent of recommended servings per day*

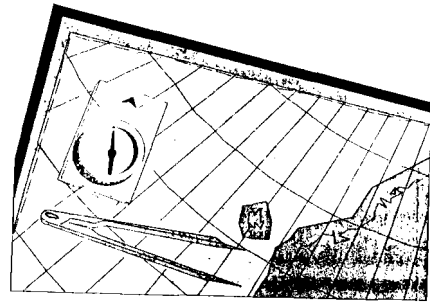


Source: Supermarket News, Feb. 13, 1995

### Section III:

#### Policy Issues of the Food Industry

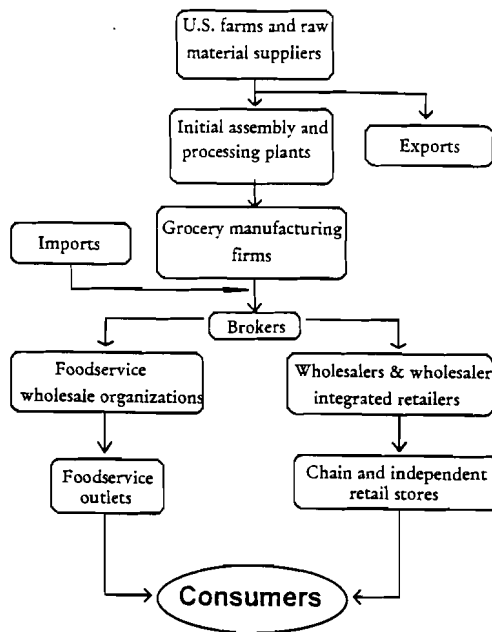
#### Policy Issues of the Food Industry





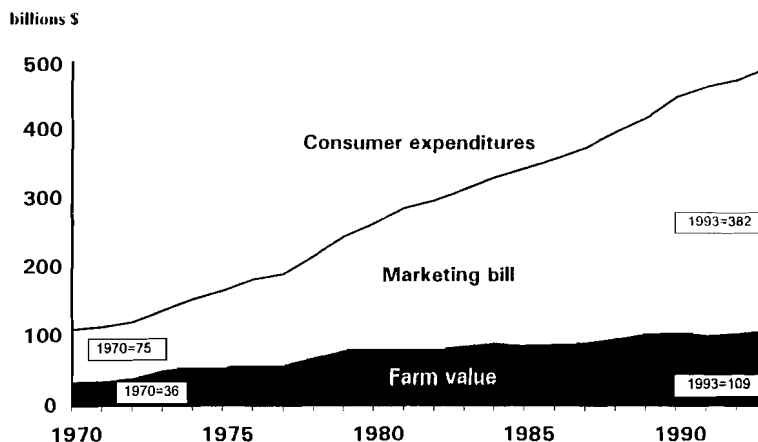
- The food marketing system moves raw product from the producer through a myriad of marketing channels to the final consumer.
- Food system firms closer to producers tend often to be "commodity oriented." Firms closer to the consumer tend to focus on "adding value" to commodities.

## Major Marketing Channels for U.S. Grocery Products



- Consumers spent \$491 billion in 1993 for food from U.S. farms.
- Of this total expenditure almost 78 percent was spent on marketing functions including: processing, wholesaling, transporting, and retailing.
- The proportion spent on marketing functions has increased gradually since the 70's when it constituted only 68 percent of expenditures.
- In 1993, the farm value share of consumer expenditures was approximately 22 percent or \$109 billion.
- The farm value share in 1970 amounted to 32 percent.

## Distribution of Food Expenditures



Source: Food Cost Review, 1993, USDA Agricultural Economic Report #696

- The farm share of retail price is the percent that farmers receive for every dollar that consumers spend.
- The products for which farmers receive the greatest share tend to be animal products. Reasons include minimal further processing and shortened marketing channel.
- Food products requiring more processing, transportation or wholesaling activities such as bread and rice return a smaller share to the farm level.

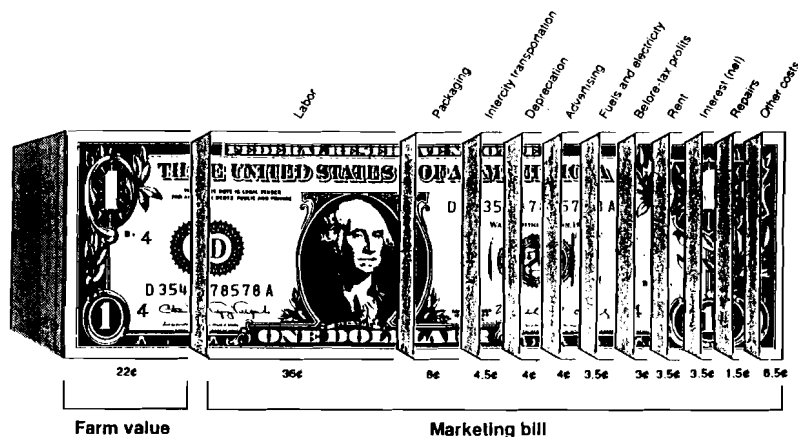
### Farm Value Share for Selected Foods

Food	1993 Farm share of retail price
<b>Animal products:</b>	
Eggs, grade A large, 1 dz.	58
Beef, choice, 1 lb.	56
Chicken, broiler, 1 lb.	54
Milk, 1/2 gallon	42
Cheese, natural cheddar, 1 lb.	34
<b>Fruit and vegetables:</b>	
Fresh--	
Apples, red delicious, 1 lb.	23
Grapefruit, 1 lb.	18
Lettuce, 1 lb.	18
Frozen--	
Orange juice conc., 12 oz.	
<b>Crop products</b>	
Sugar, 1 lb.	36
Flour, wheat, 5 lb.	28
Rice, long grain, 1 lb.	16
<b>Prepared foods</b>	
Peanut butter, 1 lb.	26
Bread, 1 lb.	6

Source: Food Cost Review, 1993, USDA Agricultural Economic Report #696

- Twenty-two percent of every dollar spent for food was returned to the farm in 1993. The remaining 78 percent of food expenditures was spent on marketing activities.
- By far the largest marketing expense in the food system is labor. The labor involved in marketing alone accounts for 36 percent of the total food bill.

### What a Dollar Spent for Food Paid for in 1993



Source: Food Cost Review, 1993, USDA Agricultural Economics Report #696

## Section IV:

## Food Manufacturers

## Food Manufacturers



- Philip Morris, parent company of Kraft General Foods and the Miller Brewing Company, was the largest U.S. food manufacturer in 1993. Philip Morris' food sales were more than twice the second largest food manufacturer - ConAgra.
- PepsiCo and Coca-Cola, the two leaders in soft drinks worldwide, were third and fourth largest.

### Leading Food & Beverage Manufacturers, 1993

	1993 Food & Beverage Sales	1993 Consolidated Sales
	<i>\$ million</i>	
Philip Morris	34,526	60,901
ConAgra	16,499	21,519
PepsiCo	15,665	25,021
Coca-Cola	13,937	13,957
IBP	11,671	11,671
Anheuser-Busch	10,792	11,505
Sara Lee	7,206	14,580
H.J. Heinz	7,103	7,103
RJR Nabisco	7,025	15,104
Campbell Soup	6,586	6,586
Kellogg	6,295	6,295
Quaker Oats	5,731	5,731
CPC International	5,636	6,738
General Mills	5,397	8,135
The Seagram Co	5,227	5,227
Tyson Foods	4,707	4,707
Ralston Purina	4,526	7,902
Borden Inc.	3,674	5,506
Hershey Foods	3,488	3,488
Procter & Gamble	3,271	30,433

Source: Prepared Foods, July 1994

- Some food categories are dominated by a few large manufacturers, for example the cold cereal industry. The leading four companies controlled 86.6 percent of category sales in 1993.
- Sales share of the market leader, Kellogg, declined from over 42 percent in 1988 to 35.1 percent in 1993.
- Companies with market share gains were General Mills and General Foods-Post.
- In 1993 private label brands composed 5.6 percent of the cold cereal industry.

### Cold Cereal Industry Market Shares

Company	1988	1991	1993
	<i>percent of sales</i>		
Kellogg	42.2	38.0	35.1
General Mills	24.4	28.0	29.1
General Foods-Post	11.4	11.0	15.2
Quaker Oats	8.0	7.0	7.2
Private Label	na	na	5.6
Ralston Purina	5.9	6.0	4.3
Others	8.1	10.0	3.5
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Advertising Age, September 28, 1994

- New grocery product introductions reached a record high in 1994.
- Over 20,000 new grocery products were introduced in 1994; 15,000 of these were food products.
- The number of new product introductions has grown steadily in recent years. The total number of new grocery product introductions in 1988 was 10,588, while the annual average over the entire decade of the 1970's was about 1,000.
- The leading category in number of new product introductions in 1994 was condiments. Over 3,000 condiment products alone were introduced.

### New Grocery Product Totals by Category

	1988	1992	1994
<b>FOOD CATEGORIES</b>			
Baby foods	55	53	45
Bakery products	968	1,508	1,636
Baking ingredients	121	346	544
Beverages	936	1,538	2,250
Breakfast cereals	97	122	110
Candy/gum/snacks	1,310	2,068	2,450
Condiments	1,608	2,555	3,271
Dairy	854	132	1,323
Desserts	39	93	215
Entrees	613	698	694
Fruits & vegetables	262	276	487
Pet food	100	179	161
Processed meat	548	785	565
Side dishes	402	560	980
Soups	179	211	264
<b>TOTAL FOOD</b>	<b>8,313</b>	<b>12,312</b>	<b>15,006</b>
<b>Nonfood Categories</b>			
Health & beauty Aids	2,000	3,690	4,368
Household supplies	233	474	426
Paper products	100	153	183
Tobacco products	12	45	38
Pet products	30	116	55
<b>TOTAL NONFOOD</b>	<b>2,375</b>	<b>4,478</b>	<b>5,070</b>
<b>GRAND TOTAL</b>	<b>10,558</b>	<b>16,790</b>	<b>20,076</b>

Source: New Product News, January 8, 1995

- Grocery manufacturers cite a variety of reasons to explain their continual motivation to introduce new products into the U.S. grocery distribution system.

### **Manufacturer Motivations**

- Respond to changing consumers
- Maintain interest of intermediaries
- Take advantage of new technologies
- Counter competitive thrusts
- Transform commodity to value-added
- Ensure against high new product failure rates - over 90%

- Food product innovation is costly. Food manufacturers alone may spend as much as \$15 million to introduce a new grocery product with multiple stock keeping units.

### **Costs Borne by Manufacturers: Some Estimates**

● Research & development	for major new plant	\$150 million
● Marketing analysis	for 3%-5% U.S. test market	\$1 million
● Introductory trade deals	common slotting allowance	\$20,000-\$40,000
● Consumer advertising & promotion	"Ultra Pampers"	\$1 billion
<b>TOTAL COST of multiple SKU launch average:</b>		<b>\$15.9 million</b>

Source: Deloitte & Touche, 1990

- Wholesalers and retail companies also allocate considerable time and resources to new product activity.

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### Costs Borne by Intermediaries

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- Personnel (evaluation) costs
- Maintenance of new data
- Wholesale inventory and handling
- Retail shelf space reallocation and signage

TOTAL Estimate of above:	\$810 per new item (SKU)
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*Not included: deletion costs and non-quantifiable costs*

- As ultimate users of new grocery products, consumers bear the final cost of all food system activity with each retail purchase.

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### Costs Borne by Consumer

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- Search and "information processing" costs and consumer confusion
  - Self-canceling effects of competitive brand advertising
  - Higher prices
-

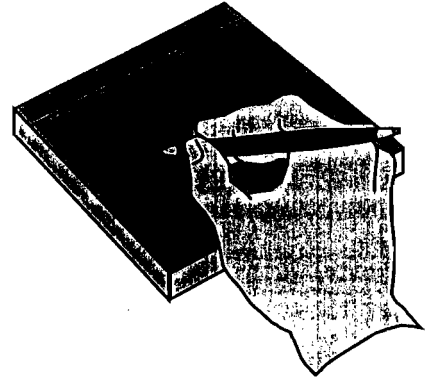
- Research results indicate that certain new product criteria are more important than others.

## New Product Research Results

### Empirical Study Findings:

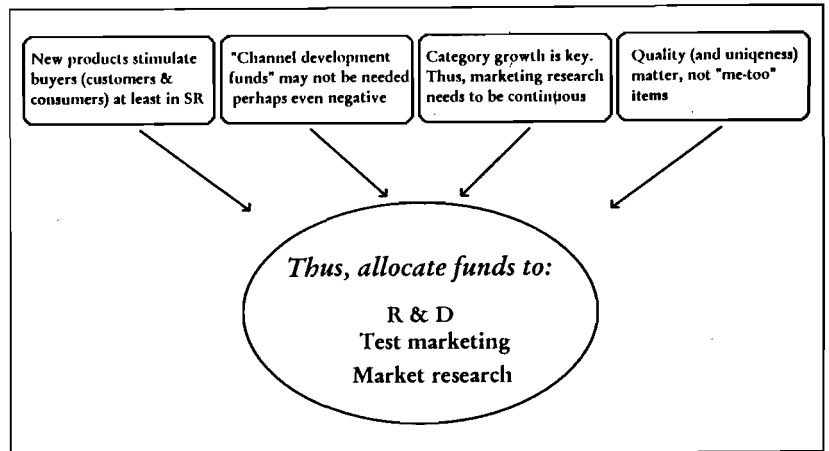
#### Key buyer decision criteria

- Gross margin
- Competition
- Quality/uniqueness
- Category growth
- Terms of trade



- In times of limited budgets, food marketers need to allocate scarce marketing funds where they will produce the largest marginal returns.

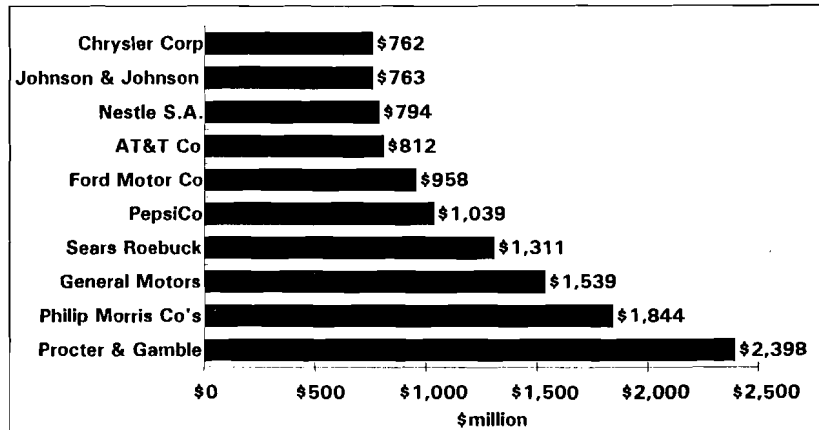
### Managerial Implications



**Only two ways to survive:  
Grow in size or sharpen niche focus**

- The leading 2 national advertisers - as determined by major media advertising expenditures - are Procter & Gamble and Philip Morris, both of whom have significant presence in the grocery industry.
- Procter & Gamble's advertising alone, which does not include promotions, was \$2.4 billion in 1993.
- General Motors, the third leading advertiser, spent just 64 percent of Procter & Gamble's advertising expenditures at \$1.5 billion.

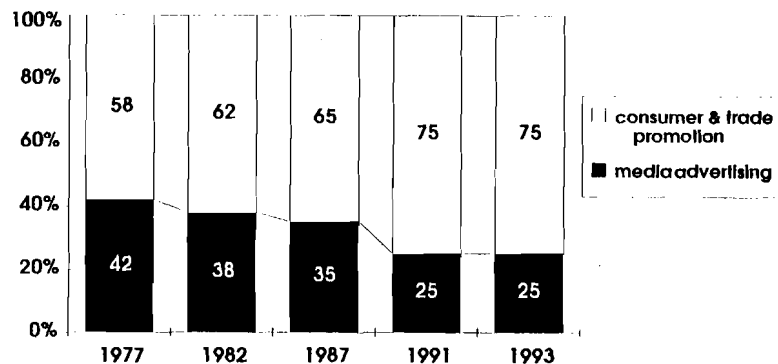
### Expenditures for Top 10 National Advertisers, 1993



Source: Advertising Age, September 28, 1994

- Media spending refers to media such as newspapers, magazines, radio, TV, etc..
- Consumer promotions are offered directly to the consumer and include couponing, new product sampling, cash refunds, sweepstakes, etc.
- Trade promotions include value pricing, contract pricing, and spending based on account profitability.
- Since 1977, the share of marketing dollars spent on promotions has generally increased.
- In 1993, three times as much money was spent on promotions as advertising.

### Advertising vs. Promotions Share of Marketing Spending



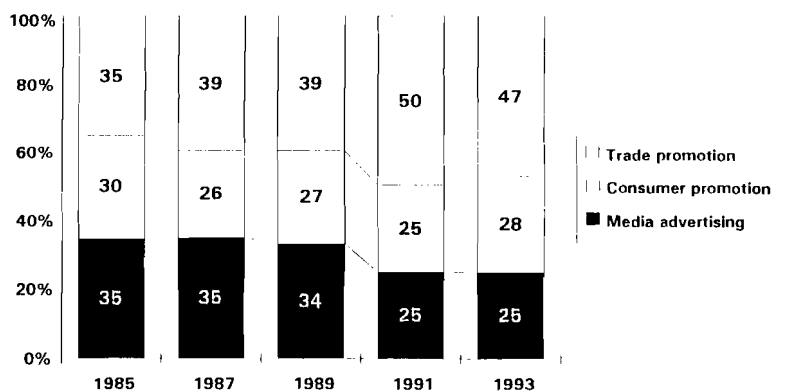
Source: Donnelley Marketing Inc.



- The increase in promotional spending is being allocated principally to trade promotions.

- The proportion of spending allocated to trade promotions has increased from 35.0 percent in 1985 to 47 percent in 1993.

### Shares of Total Advertising Expenditures



Source: Donnelley Marketing Inc.

- Numerous reasons are put forth to explain the shift from marketing funds away from media advertising to sales promotion.

### Reasons for Shift to Sales Promotion

- ✓ Increase in SR management view
- ✓ More parity products
- ✓ Sales force pressure
- ✓ Consumers and economy
- ✓ Increasing retail concentration
- ✓ Increasing media diffusion
- ✓ More localized promotional planning
- ✓ Measurement capabilities

- Price reductions generally increase sales. The increases can be especially large when considered in combination with other promotional activities.

### Sales Impact of Various Promotional Conditions

Promotion condition	Price index <sup>1</sup>						
	100	95	90	85	80	75	70
	<i>sales index</i>						
Non-promoted	100	118	142	171	209	258	324
Ad only	198	234	281	338	414	511	641
Display only	213	251	302	364	445	550	690
Display & Ad	395	466	561	675	825	1,019	1,280

<sup>1</sup> 100=undiscounted, everyday normal price

Source: A.C. Nielsen

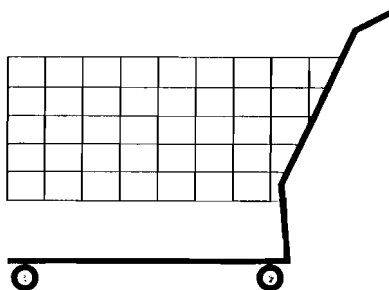
- Example: a sales increase of 18% is produced by dropping the price from 100% to 95% of the original price. However, sales growth can be more impressive when price reductions are combined with ads and displays.

- Often the same sales increase can be generated by applying different marketing tools. Example, a 20 percent price reduction (index = 80) produces twofold sales increase (index = 209). However, nearly the same effect is produced with an in-store display with no price reduction

- The shift in promotional spending has not necessarily had positive impacts on all food system participants.

### Consequences of Shift in Promotional Spending

- ✓ Decline in brand loyalty
- ✓ Heightened price sensitivity- "commoditization" of brands
- ✓ Encourages forward buying and diverting
- ✓ Advantages certain retailers

**Section V:****Food Wholesalers and Retailers****Food Wholesalers and Retailers**

- Although the top 20 grocery distributors produce annual sales revenues well over a billion dollars, their name are generally not as well known as their manufacturer counterparts partly because grocery retailers remain largely regional companies.

### Sales of Top 20 Grocery Companies<sup>1</sup>

Company	Sales (billions \$)
1 Kroger Co.	22.4
2 American Stores	18.8
3 Supervalu Inc.	15.9
4 Safeway	15.2
5 Fleming Cos.	13.1
6 Albertson's	11.3
7 Winn-Dixie Stores	10.8
8 A & P	10.4
9 Food Lion	7.6
10 Publix Super Markets	7.4
11 Loblaw Cos.	6.9
12 Ahold, USA	6.6
13 Scrivner	6.0
14 Vons Cos.	5.1
15 Univa (Provigo)	4.5
16 H.E. Butt Grocery Co.	4.5
17 Meijer	4.3
18 Oshawa Group	4.2
19 Pathmark Stores	4.2
20 Wakefern Food Corp.	3.6

<sup>1</sup> U.S. grocery store sales only

Source: 1994 Directory of Supermarket, Grocery & Convenience Store Chains

- The sales concentration of the top 4 and the top 8 chains in the grocery industry has remained remarkably stable since 1929.
- However, grocery chains are gradually replacing independent supermarket companies. Chains accounted for only 31.5% of grocery sales in 1929 but accounted for the majority of grocery industry sales by 1993.

## U.S. Grocery Chains Market Shares, 1929-1993

Year	Top 4 Chains	Top 8 Chains	Total All Chains
		--percent--	
1929	23.1	26.7	31.5
1948	21.7	25.5	38.6
1963	18.7	25.0	41.1
1975	17.0	25.0	46.6
1980	17.5	26.3	46.7
1984	19.4	26.8	49.3
1993	17.2	26.1	54.5

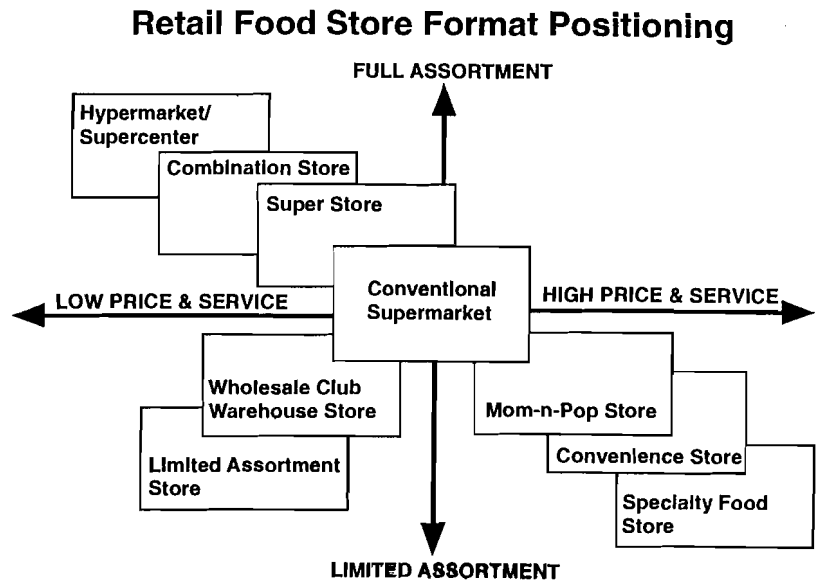
- Chain supermarkets tend to be more numerous and larger than independents. Chain stores numbered 17,800 or 13.1% of the total number of grocery stores but generated over 50% of grocery industry sales.
- Independent supermarkets numbered 12,000 or 8.8% of all grocery stores but generated 20.4% of grocery industry sales.
- Smaller store formats, convenience stores and other small stores, dominate total grocery store numbers at over 100,000 stores.

## 1993 Grocery Sales

<i>By volume and format</i>				
	Number of stores	% of total	\$ sales (billions)	% of total
<b>All grocery stores</b>	138,000	100.0	390.0	100.0
<b>Supermarkets</b>				
(\$2 m or more)	29,800	21.9	292.0	74.9
<b>Chain supermarkets</b>				
(\$m)	17,800	13.1	212.4	54.9
\$2-3.9	1,280	0.9	3.6	0.9
\$4-7.9	4,215	3.1	23.5	6.0
\$8-11.9	4,560	3.4	44.0	11.3
\$12-19.9	4,635	3.4	66.0	16.9
\$20 -+	3,110	2.3	75.3	19.3
<b>Independent</b>				
supermarkets (\$m)	12,000	8.8	79.6	20.4
\$2-3.9	4,925	3.6	14.3	3.7
\$4-7.9	4,340	3.2	24.3	6.2
\$8-11.9	1,300	1.0	12.6	3.2
\$12-19.9	890	0.7	12.9	3.3
\$20 -+	545	0.4	15.5	4.0
<b>Convenience stores</b>	58,000	42.7	27.0 <sup>1</sup>	6.9
<b>Wholesale club stores</b>	690	0.5	19.0 <sup>1</sup>	4.9
<b>Other stores</b>	47,510	34.9	52.0	13.3
<b>By supermarket format</b>				
Conventional	19,125	64.2	139.0	47.6
Extended <sup>2</sup>	7,000	23.5	110.0	37.7
Economy <sup>3</sup>	3,675	12.3	43.0	14.7
<b>Total supermarkets</b>	29,800	100.0	292.0	100.0

<sup>1</sup> supermarket items only. <sup>2</sup> includes combination (1,200) and superstore (5,800). <sup>3</sup> includes limited assortment (770), warehouse (2,400), super warehouse (375) and hypermarket/supercenter (13)

- Grocery store formats are evolving away from conventional formats.
- Newer supermarket development can be explained by examining how new stores are positioned with respect to price/service and assortment dimensions.



- The number of conventional or traditional supermarkets have declined both in number and in sales share.
- Growth in the economy formats such as warehouse and limited assortment stores appears to have stabilized in recent years.

### Store Format Growth Trends, 1980-1998

Traditional Grocery Channel	1980		1993		1998 <sup>1</sup>	
	Stores	% of ACV Share	Stores	% of ACV Share	Stores	% of ACV Share
Conventional	30,250	55.2	15,370	26.1	13,500	20.6
Superstore	3,150	11.6	6,270	22.4	7,200	23.1
Food/Drug Combo	475	2.2	2,190	10.2	3,500	14.5
Warehouse Store	920	2.5	2,400	6.5	1,950	4.7
Super Warehouse	7	na	500	3.4	675	4.1
Limited Assortment	750	0.6	730	0.6	930	0.6
Convenience Store (trad.)	35,800	5.4	49,800	6.6	48,500	5.7
Convenience Store (petro.)	na	na	34,200	3.6	36,000	3.4
Other	96,000	22.5	51,650	11.8	39,000	8.0
<b>Subtotal</b>				<b>91.2</b>		<b>84.7</b>

<sup>1</sup> projections

Source: Willard Bishop Consulting

- Superstores and combination food/drug stores are relatively new formats that have captured a greater proportion of grocery industry sales since 1980. These large stores often sell general merchandise and health and beauty care items as well as a full array of supermarket foods.

### Store Format Growth Trends, 1980-1998 (cont.)

Non-traditional Grocery Channel	1980		1993		1998 <sup>1</sup>	
	Stores	% of ACV Share	Stores	% of ACV Share	Stores	% of ACV Share
Hypermarket	na	na	18	0.2	19	0.2
Wholesale Club	na	na	603	5.6	800	6.6
Mini Club	na	na	148	0.3	175	0.3
Supercenter	na	na	250	1.5	1,020	7.0
Deep Discounter	na	na	690	1.2	750	1.2
<b>Subtotal</b>	<b>na</b>	<b>na</b>		<b>8.8</b>		<b>15.3</b>
<b>Traditional Grocery Channel</b>						
<b>Subtotal</b>				<b>91.2</b>		<b>84.7</b>
<b>TOTAL</b>				<b>100.0</b>		<b>100.0</b>

<sup>1</sup> projections

Source: Willard Bishop Consulting

- The sales shares of the major departments in the supermarket continue to evolve with changing consumer demand.
- The meat department has experienced a steady decrease in sales as a proportion of total store sales since at least 1967.
- Along with general merchandise/health and beauty care/non foods, it is primarily the fresh foods departments (e.g. produce, deli, bakery, seafood) that are experiencing the greatest growth.

### Supermarket Sales Distribution: Past, Present & Future

	1967 <sup>1</sup>	1989 <sup>2</sup>	1993 <sup>2</sup>	2000 <sup>3</sup>
Meat	24.1	15.5	14.0	13.2
Dairy	11.1	6.2	6.0	7.5
Produce	7.6	9.1	10.4	11.9
Deli	na	4.3	6.0	5.6
Bakery	na	2.6	3.3	2.7
Seafood	na	1.1	1.1	2.4
Frozen foods	4.3	5.4	5.2	7.3
Grocery, food	34.5	27.0	26.6	23.9
GM/HBC/other	18.9	28.8	27.4	25.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

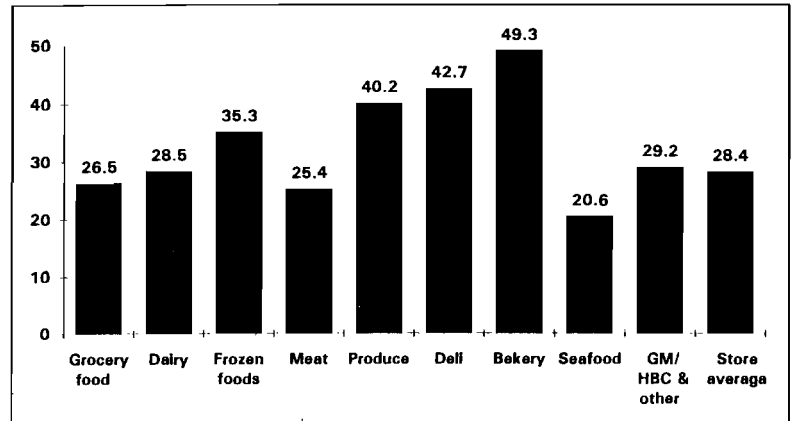
<sup>1</sup> Chain Store Age, 1968

<sup>2</sup> Supermarket Business, September 1990, 1994

<sup>3</sup> Cornell Food Executive Program projections, 1993

- Supermarket gross margin is the markup between the cost and selling price divided by the selling price of the product.
- The average gross margin for total store is 28.4% or over one-quarter of the average price to shoppers.
- Gross margin is intended to cover all wholesale/retail costs incurred by the supermarket. Frozen foods, produce, deli and bakery departments have higher equipment and labor costs as well as higher shrinkage rates. Therefore they have larger gross margins to cover these added costs.

### Supermarket Gross Margins



Source: Supermarket Business, September 1994

- The presence of private label or store brands in the supermarket has increased in recent years. In 1988, supermarket sales shares of private label food and non-food items were 11.6%. By 1993 this had increased to 14.6%.
- Private label volume or unit share has also increased from 15.3% in 1988 to 19.9% in 1993.
- Private label sales share is lower than its share of volume due to the generally lower pricing on private label goods.

### Private Label Market Share Trends

#### *U.S. Supermarket Industry*

Year	Dollar share	Unit share
	<i>--percent of total sales--</i>	
1988	11.6%	15.3%
1989	11.6	16.4
1990	13.7	17.6
1991	13.6	18.1
1992	13.9	18.2
1993	14.6	19.9

Source: Information Resources, Inc.

- Sales shares of private label varies by supermarket department from a low share of 7.2% in health & beauty care to 35.8% in the dairy case.
- The high sales share in the dairy department is primarily due to private label milk sales. Many supermarkets carry their own milk store brand.

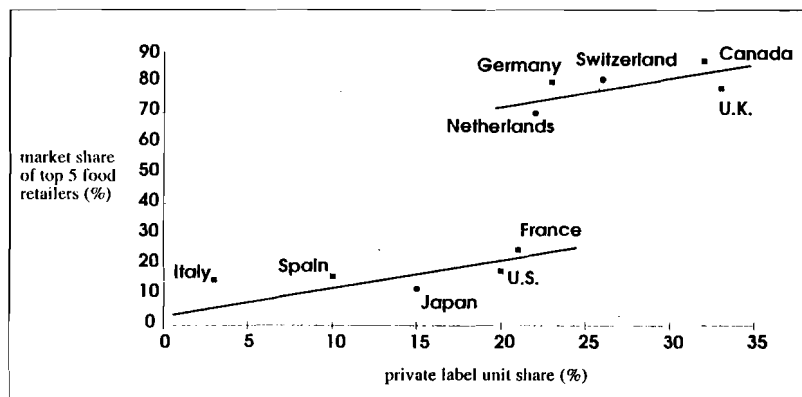
**U.S. Private Label Share by Department, 1992**  
*U.S. Supermarket Industry*

	Dollar share	Unit share
	--percent of total sales--	
Edible groceries	9.4%	14.1%
Non-edible groceries	8.0	11.0
Frozen	15.4	20.9
Dairy	35.8	36.0
Bakery	24.1	34.9
Deli	11.7	16.3
HBC	7.2	9.8
General Mrehd.	13.8	20.5
<b>Total</b>	<b>13.9%</b>	<b>18.2%</b>

Source: Information Resources, Inc.

- In some European countries with highly concentrated food retail industries, private label has a much greater presence than in the U.S. Canada and the United Kingdom have the greatest private label unit shares.
- The United States has a less concentrated industry yet has almost the same private label market share as the Netherlands.

**Correlation of Market Concentration & Private Label Penetration by Country**



Source: Paine Webber



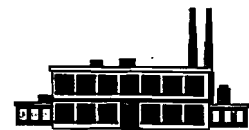
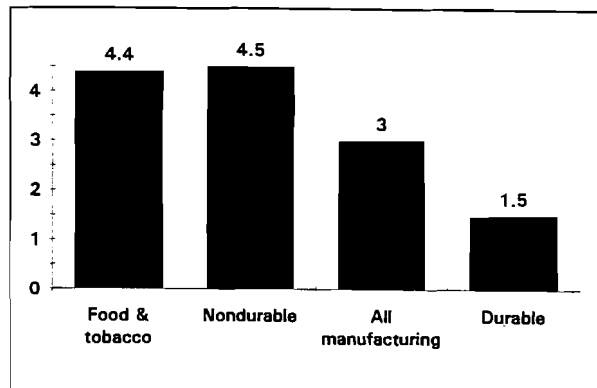
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**Section VI:****Financial Performance****Financial Performance**

- 
- Measured as a percentage of sales, the profits of U.S. food and tobacco manufacturers have been higher than the average of all manufacturers in the U.S. economy in recent years.

**Average After Tax Profits as a Share of Sales: Manufacturing, 1989-92**

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- In general, food manufacturers have experienced higher net profit margins and higher returns on assets than food retailers.
- Retailer net profits since 1989 have grown considerably faster than manufacturers'.
- Manufacturer returns on assets have grown by 39 percent since 1989 perhaps as a consequence of corporate downsizing and physical asset depletion.

### Return on Investment for Food Manufacturers and Food Retailers, 1990-1994

	Net Profit Margin		Net/Assets	
	Manufacturer	Retailer	Manufacturer	Retailer
	%		%	
1989	4.2	1.0	13.7	11.0
1990	4.4	1.3	14.8	11.8
1992	4.4	1.4	13.6	10.5
1994 <sup>1</sup>	4.5	1.7	19.0	11.5

<sup>1</sup> estimates

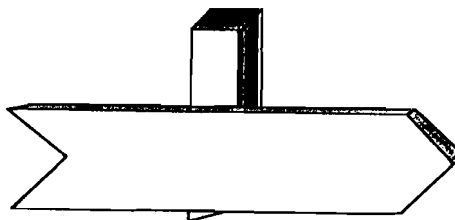


Source: Value Line Investment Survey, November 18, 1994

## Section VI:

### Directions for the Future

## Directions for the Future



- To remain competitive in the future, the food industry has concentrated efforts to 1) add more value and 2) eliminate unnecessary costs.
- Adding value is important as the consumer continues to demand real benefit per cost.
- Eliminating unnecessary costs will help to further increase the value or benefit/cost ratio by reducing costs.




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## Food Industry Directions Toward the Year 2000

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- **Adding more value**
- **Eliminating unnecessary costs**

- 
- One method of adding value to the business is to continue to improve product variety by offering exciting and differentiated products that consumers perceive as unique and of value.
  - New hybrid formats can position supermarkets and target specific consumer market segments.
  - Private label is projected to continue to grow as consumers recognize the lower cost, new, higher quality, and increased value of store brands.
  - Service, freshness and increased consumer orientation should help make the shopping experience fun and exciting.

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## Adding Value

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- **Differentiation--product variety**
- **Positioning--new hybrid formats**
- **Growth of private label**
- **Service and freshness**
- **Consumer orientation**



- 
- Various electronic technologies will enable the food industry to eliminate unnecessary costs in product management, data exchange, and logistics.
  - Targeted spending on advertising and promotion will result in reducing advertising and increasing promotional spending.
  - Strategic alliances with preferred suppliers will streamline the marketing channel logistics and trim costs.

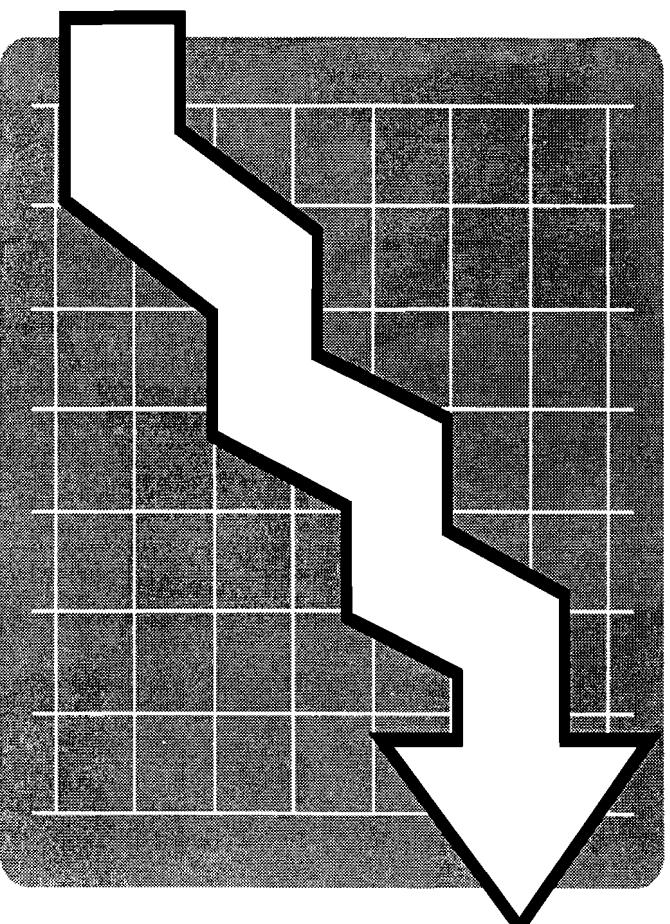
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### **Eliminating Costs**

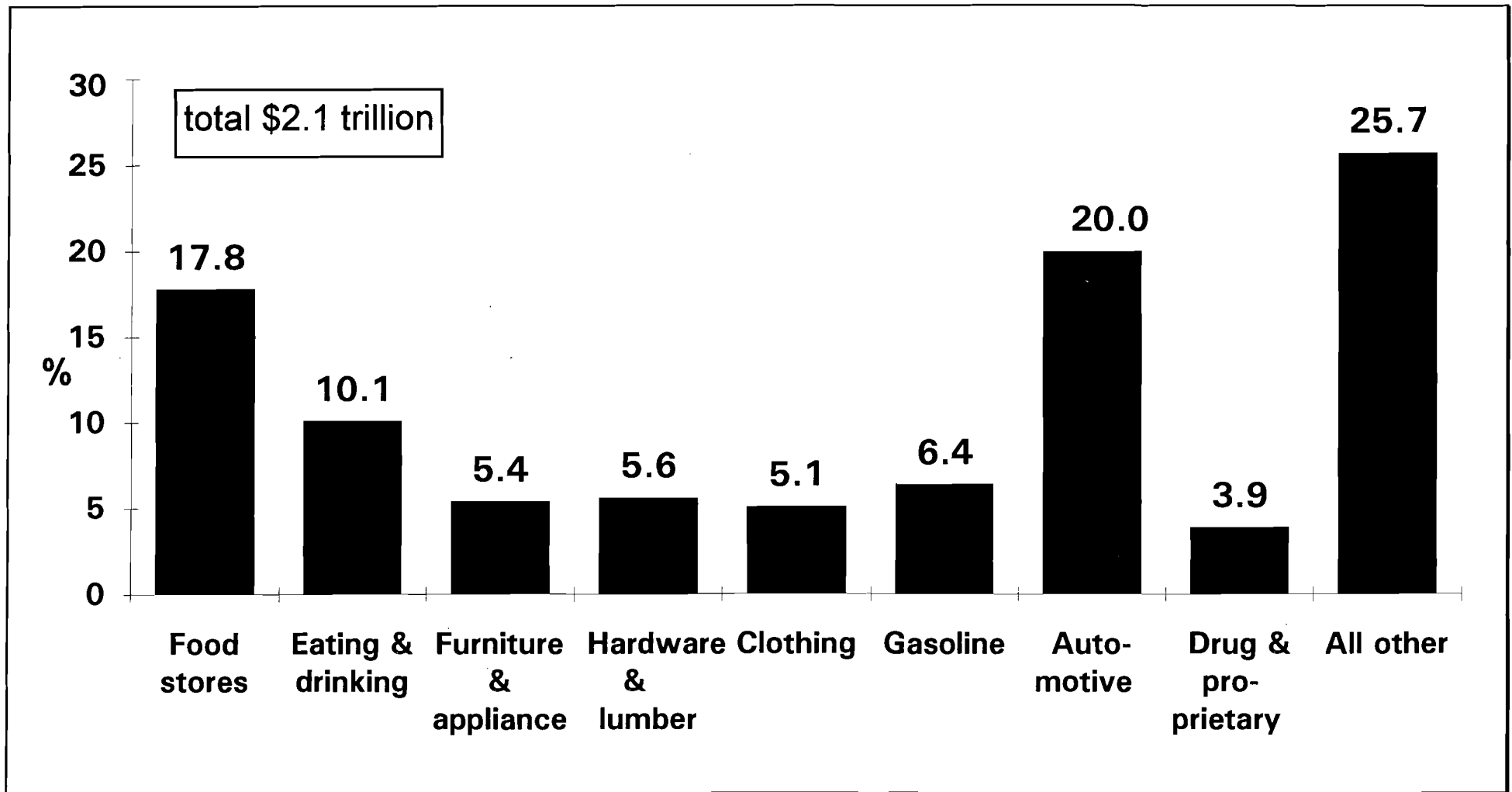
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- **Electronic imperatives--ECR, EDI, logistics optimization**
  - **Need for low cost status--retailer and supplier**
  - **Reduce advertising--but increase promotion**
  - **Develop strategic alliances with preferred suppliers**
-

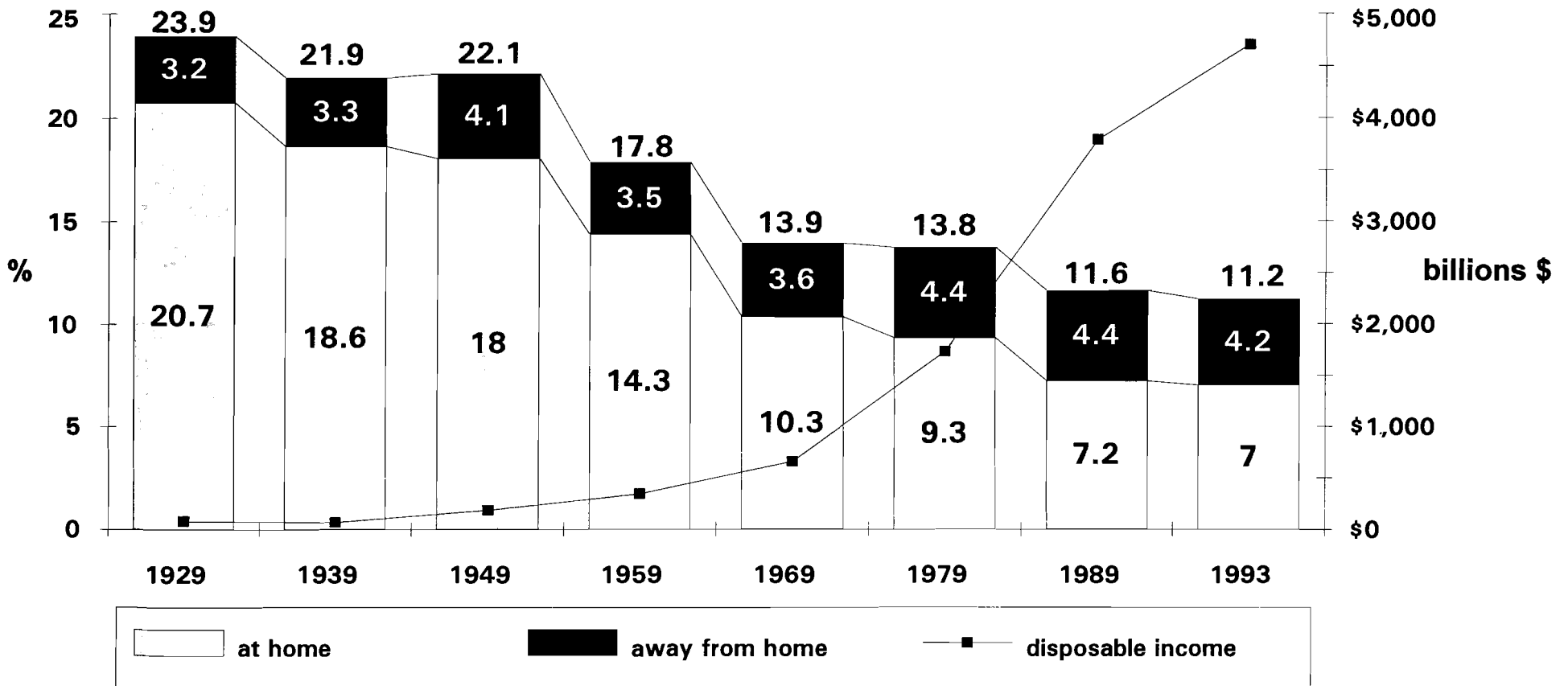
# Structure of the U.S. Food Industry



# Divisions of U.S. Retail Sales, 1993



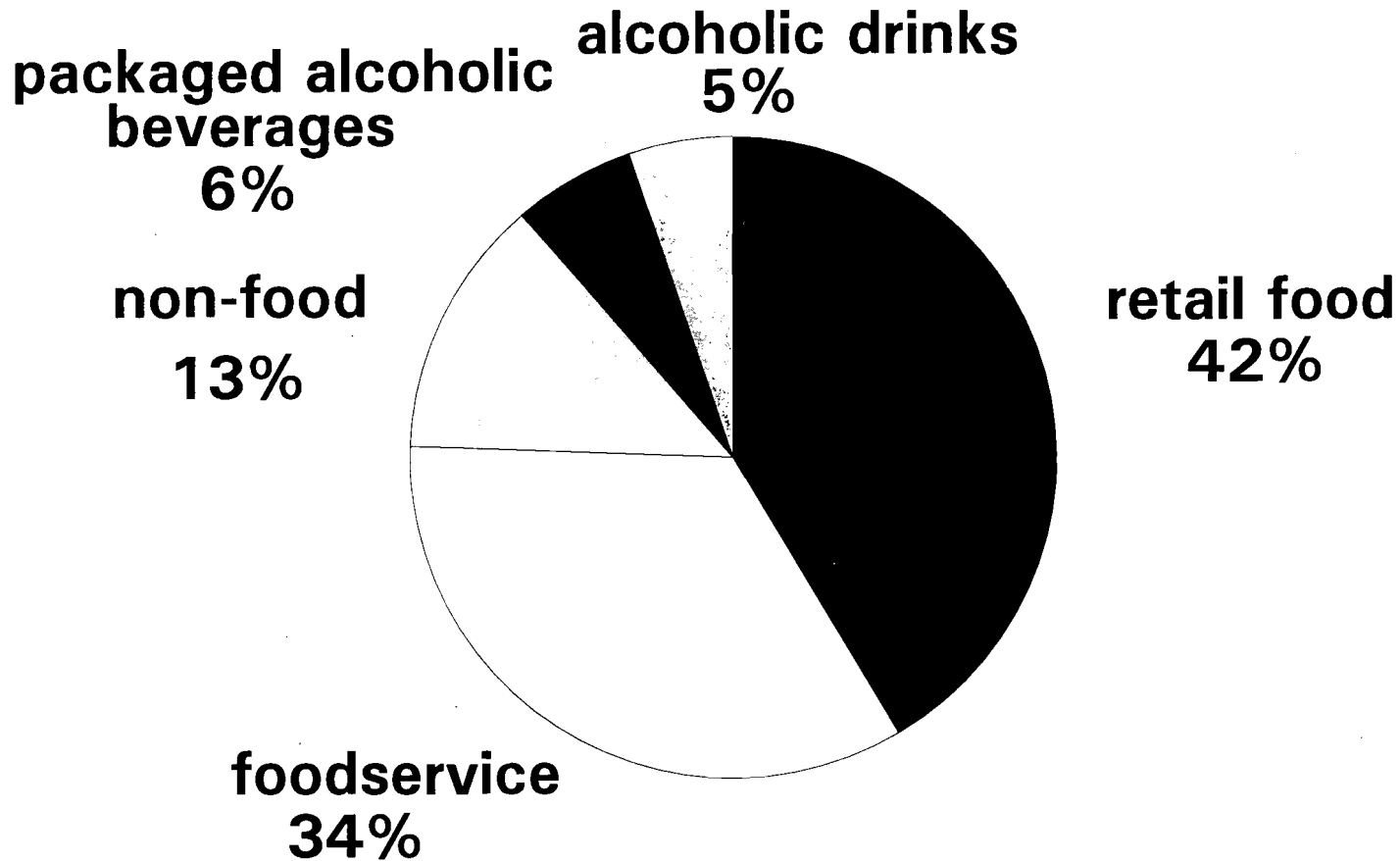
# Food Expenditures as a Share of Disposable Personal Income



**At home:** includes food purchases from grocery stores and other retail outlets, including purchases with food stamps and food produced and consumed on farms, because the value of these foods is included in personal income. Excludes government-donated foods.

**Away from home:** includes purchases of meals and snacks by families and individuals, and food furnished employees because it is included in personal income. Excludes food paid for by government and business, such as food donated to schools, meals in prisons and other institutions, and expense-account meals.

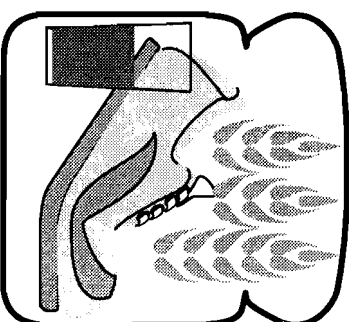
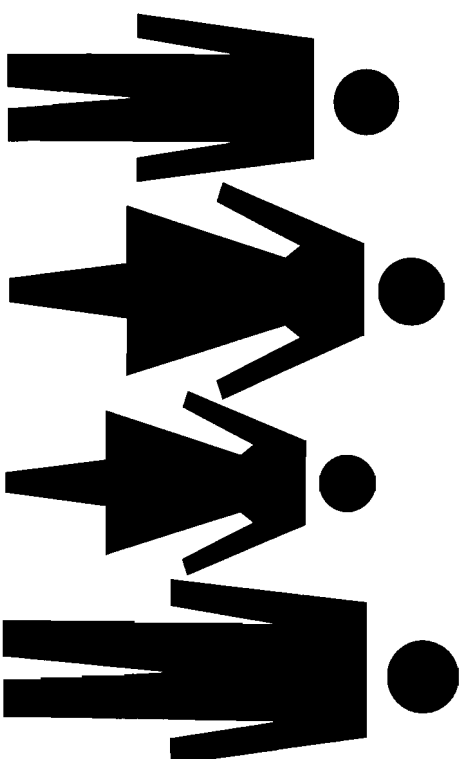
# U.S. Food System Sales



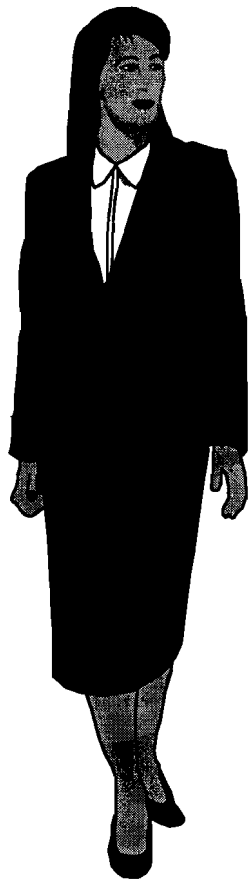
Source: Food Marketing System in 1993, USDA Agriculture Information Bulletin #706



# Consumers and Food Trends



# The Health Conscious American ?



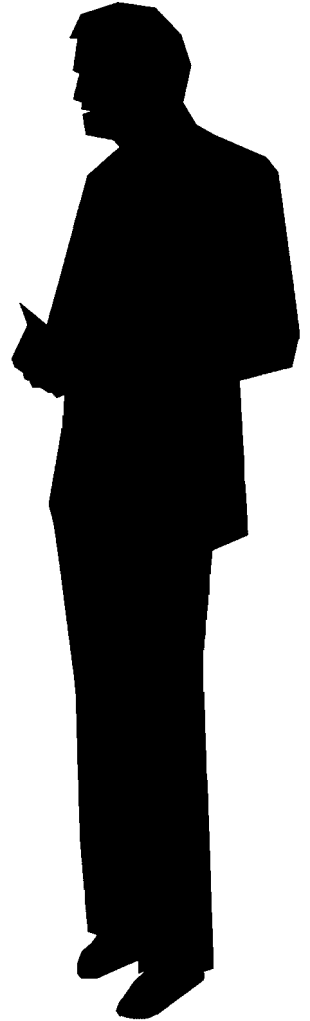
- After holding steady for 20 years the proportion of Americans who are seriously overweight rose from 25% to 33% in the 1980's. (Centers for Disease Control)



- "...fortysomethings are now heavier than fortysomethings were 10 years ago, thirtysomethings now are heavier than thirtysomethings then..." (*Time*, Jan 16, 1995)

# The Health Conscious American ?

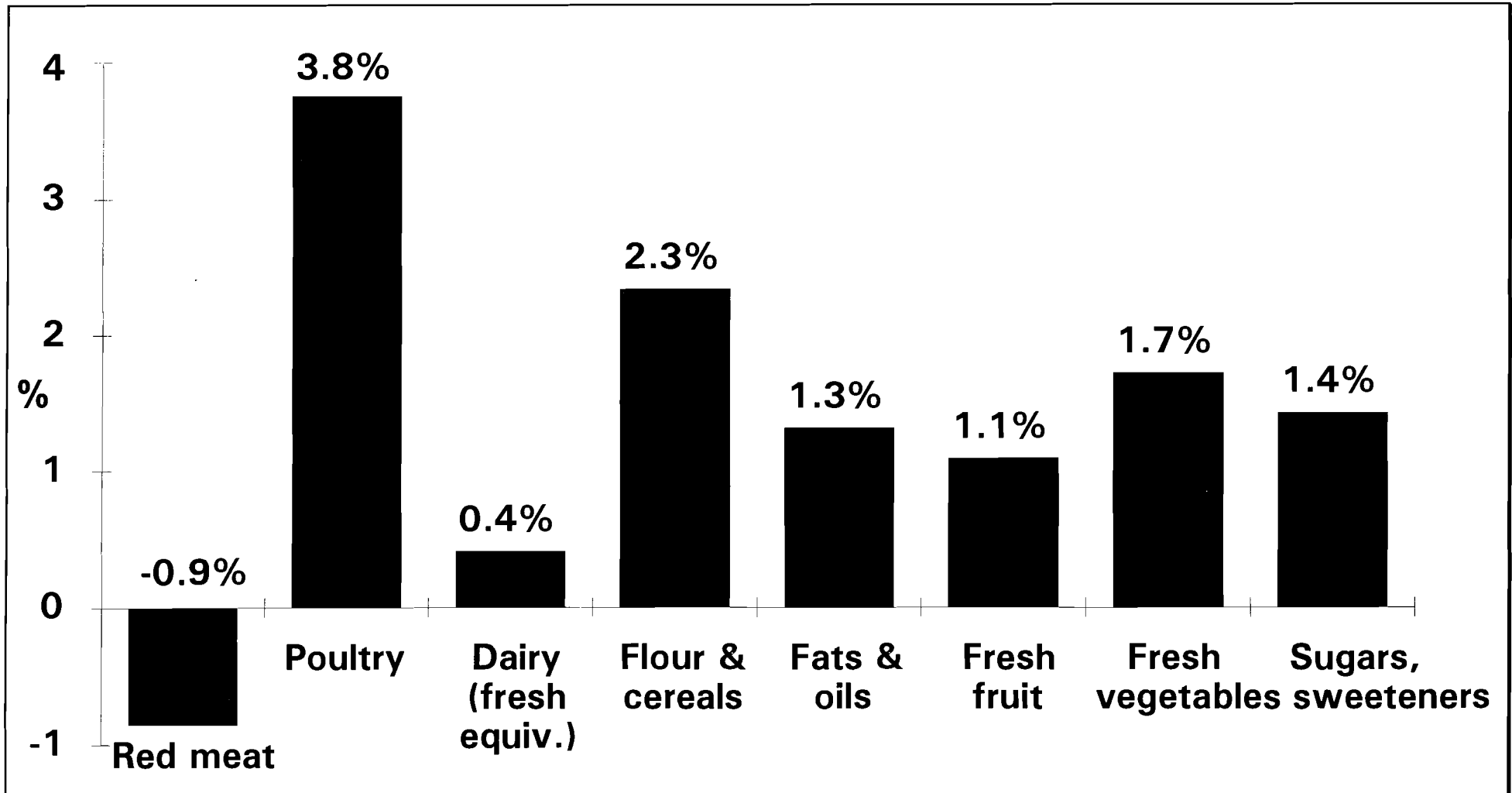
- **Coca-Cola spent \$107.7 million in 1993 advertising a single product: *Coke Classic*. The produce industry spent \$55 million on an educational program to promote its entire product line, from asparagus to zucchini. (*Advertising Age* Sept 28, 1995)**



- **Although people are eating less now than their ancestors did at the turn of the century, the rate of obesity now is much higher due to lower activity levels and changes in diet composition. (*Time*, Jan 16, 1995)**

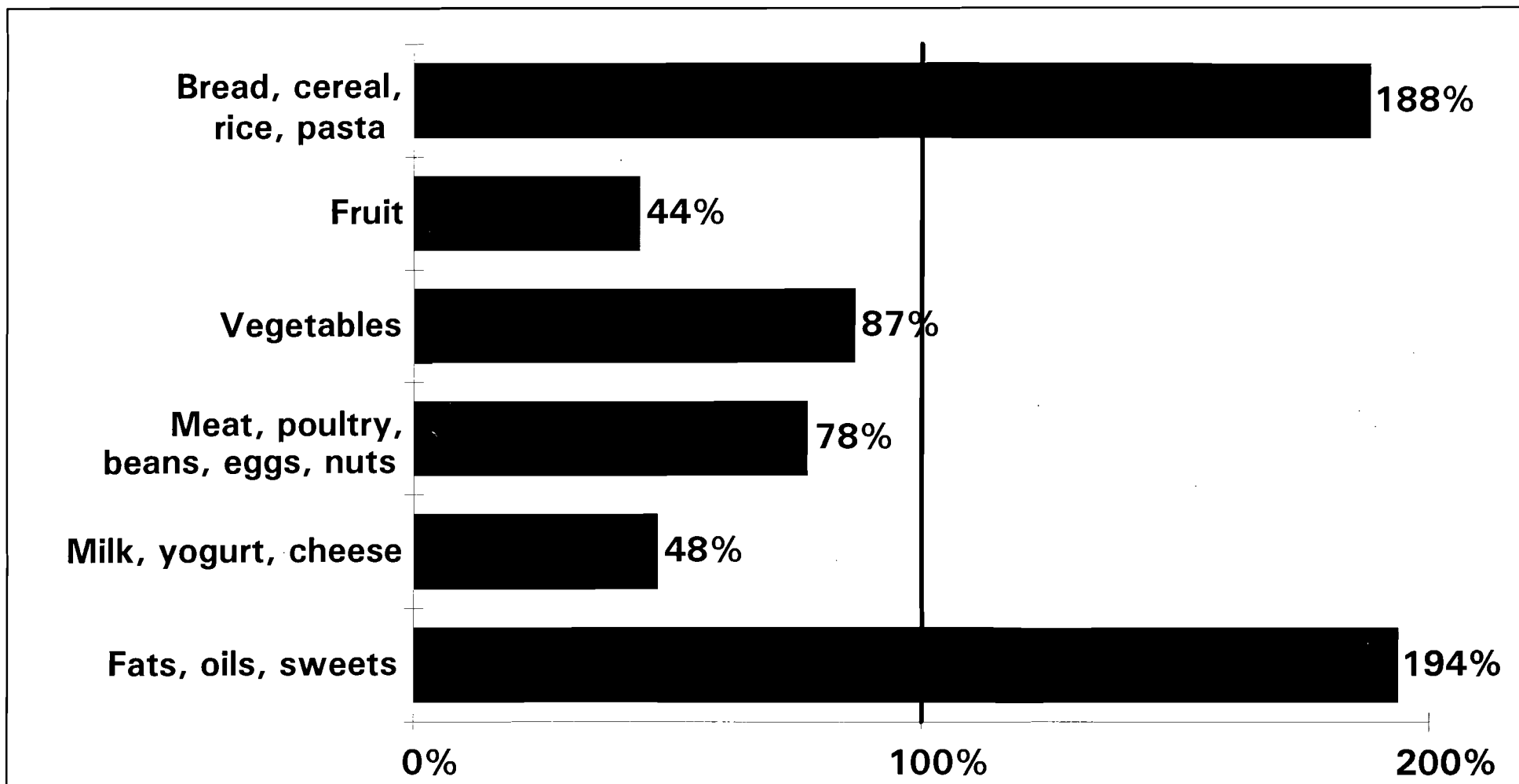
# Diets Have Changed in the Past Decade

*Average annual change in per capita consumption, 1980-1993*

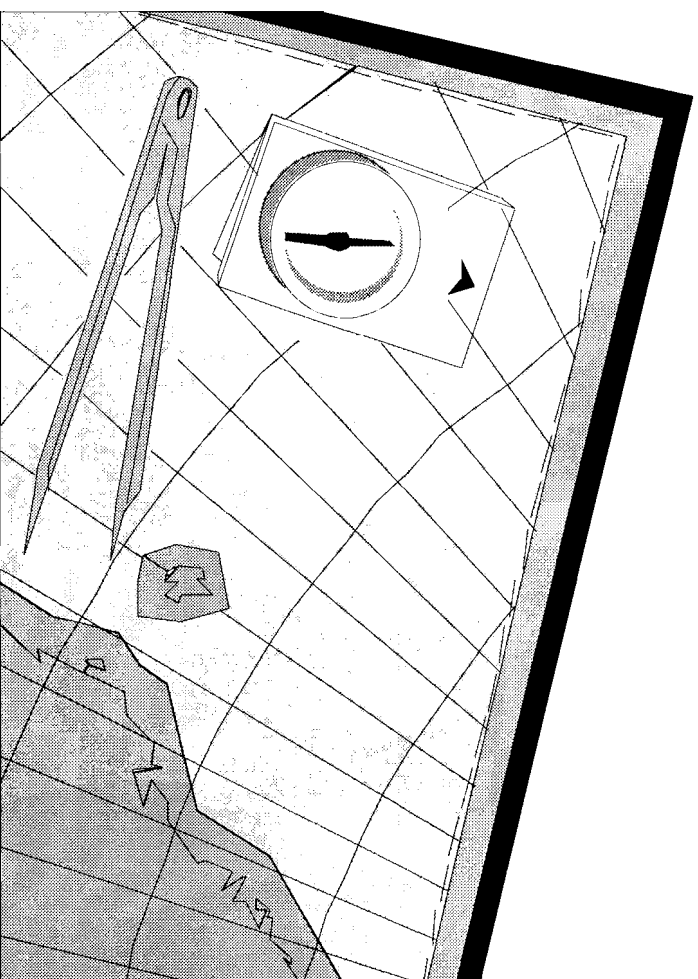


# Americans' Consumption of Recommended Servings

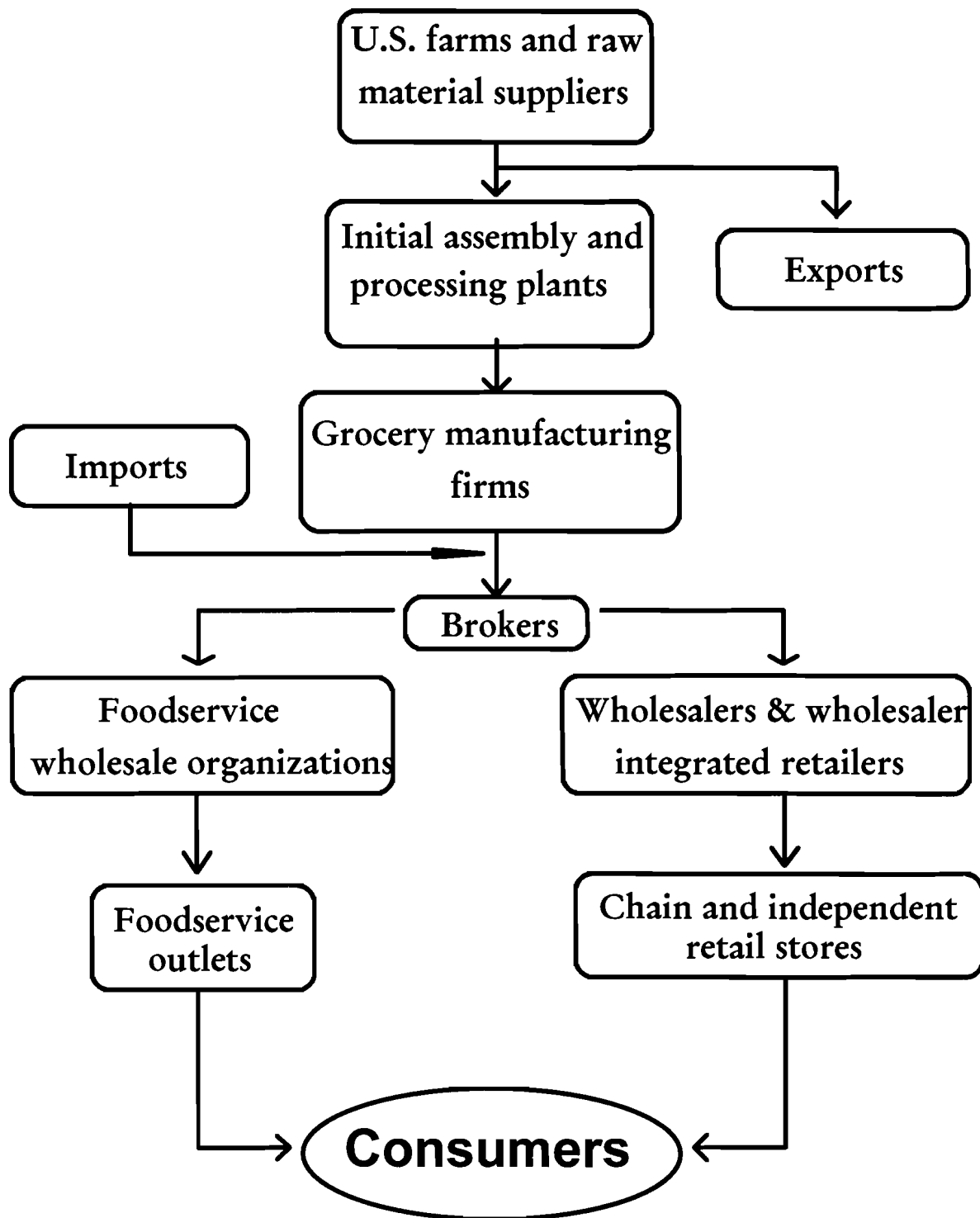
*Percent of recommended servings per day*



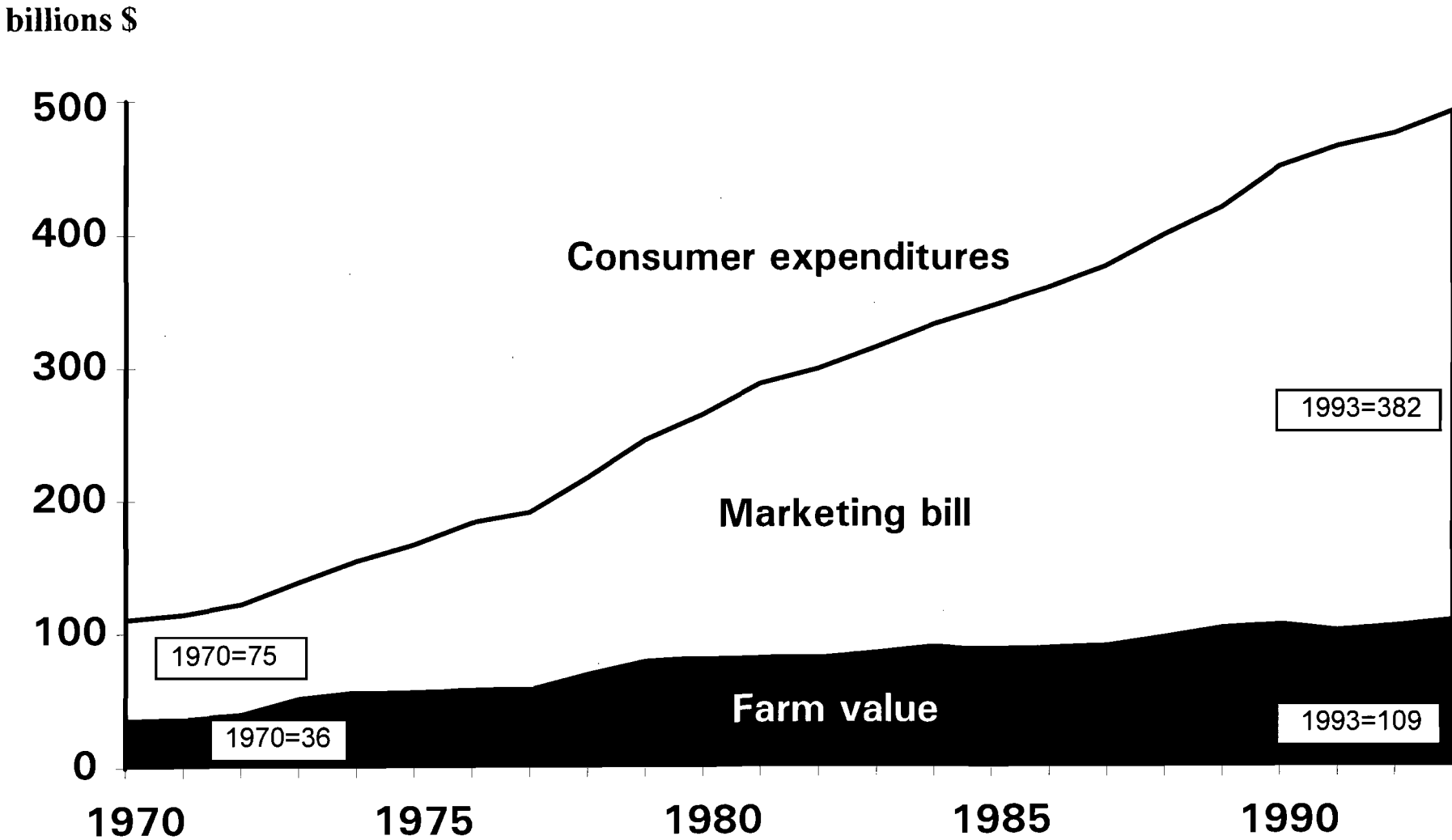
# Policy Issues of the Food Industry



# Major Marketing Channels for U.S. Grocery Products



# Distribution of Food Expenditures

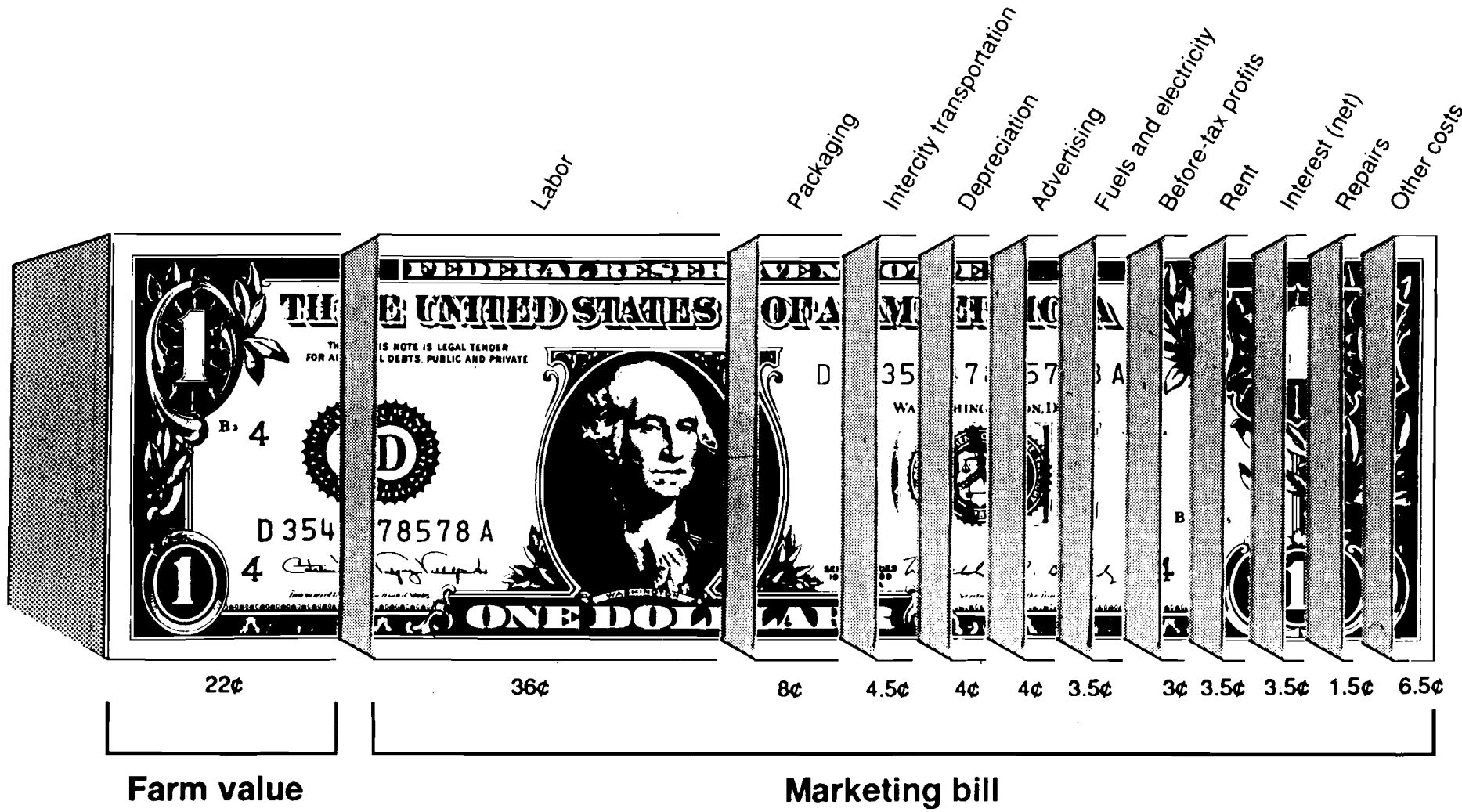




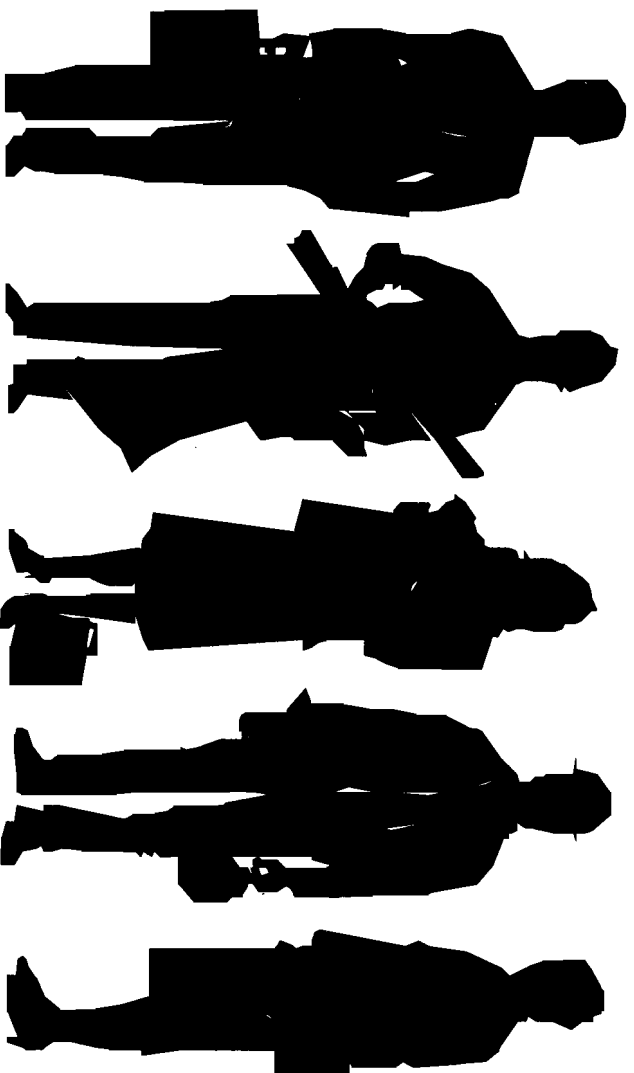
# Farm Value Share for Selected Foods

Food	1993 Farm share of retail price
<b>Animal products:</b>	
Eggs, grade A large, 1 dz.	58
Beef, choice, 1 lb.	56
Chicken, broiler, 1 lb.	54
Milk, 1/2 gallon	42
Cheese, natural cheddar, 1 lb.	34
<b>Fruit and vegetables:</b>	
<b>Fresh--</b>	
Apples, red delicious. 1 lb.	23
Grapefruit, 1 lb.	18
Lettuce, 1 lb.	18
<b>Frozen--</b>	
Orange juice conc., 12 oz.	
<b>Crop products</b>	
Sugar, 1 lb.	36
Flour, wheat, 5 lb.	28
Rice, long grain, 1 lb.	16
<b>Prepared foods</b>	
Peanut butter, 1 lb.	26
Bread, 1 lb.	6

# What a Dollar Spent for Food Paid for in 1993



# Food Manufacturers



# Leading Food & Beverage Manufacturers, 1993

	1993 Food & Beverage Sales	1993 Consolidated Sales
<i>\$ million</i>		
<b>Philip Morris</b>	<b>34,526</b>	<b>60,901</b>
<b>ConAgra</b>	<b>16,499</b>	<b>21,519</b>
<b>PepsiCo</b>	<b>15,665</b>	<b>25,021</b>
<b>Coca-Cola</b>	<b>13,937</b>	<b>13,957</b>
<b>IBP</b>	<b>11,671</b>	<b>11,671</b>
<b>Anheuser-Busch</b>	<b>10,792</b>	<b>11,505</b>
<b>Sara Lee</b>	<b>7,206</b>	<b>14,580</b>
<b>H.J. Heinz</b>	<b>7,103</b>	<b>7,103</b>
<b>RJR Nabisco</b>	<b>7,025</b>	<b>15,104</b>
<b>Campbell Soup</b>	<b>6,586</b>	<b>6,586</b>
<b>Kellogg</b>	<b>6,295</b>	<b>6,295</b>
<b>Quaker Oats</b>	<b>5,731</b>	<b>5,731</b>
<b>CPC International</b>	<b>5,636</b>	<b>6,738</b>
<b>General Mills</b>	<b>5,397</b>	<b>8,135</b>
<b>The Seagram Co</b>	<b>5,227</b>	<b>5,227</b>
<b>Tyson Foods</b>	<b>4,707</b>	<b>4,707</b>
<b>Ralston Purina</b>	<b>4,526</b>	<b>7,902</b>
<b>Borden Inc.</b>	<b>3,674</b>	<b>5,506</b>
<b>Hershey Foods</b>	<b>3,488</b>	<b>3,488</b>
<b>Procter &amp; Gamble</b>	<b>3,271</b>	<b>30,433</b>

Source: Prepared Foods, July 1994

# Cold Cereal Industry Market Shares

<b>Company</b>	<b>1988</b>	<b>1991</b>	<b>1993</b>
	<i>percent of sales</i>		
<b>Kellogg</b>	<b>42.2</b>	<b>38.0</b>	<b>35.1</b>
<b>General Mills</b>	<b>24.4</b>	<b>28.0</b>	<b>29.1</b>
<b>General Foods-Post</b>	<b>11.4</b>	<b>11.0</b>	<b>15.2</b>
<b>Quaker Oats</b>	<b>8.0</b>	<b>7.0</b>	<b>7.2</b>
<b>Private Label</b>	<b>na</b>	<b>na</b>	<b>5.6</b>
<b>Ralston Purina</b>	<b>5.9</b>	<b>6.0</b>	<b>4.3</b>
<b>Others</b>	<b>8.1</b>	<b>10.0</b>	<b>3.5</b>
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Advertising Age, September 28, 1994

# New Grocery Product Totals by Category

	1988	1992	1994
<b>FOOD CATEGORIES</b>			
Baby foods	55	53	45
Bakery products	968	1,508	1,636
Baking ingredients	121	346	544
Beverages	936	1,538	2,250
Breakfast cereals	97	122	110
Candy/gum/snacks	1,310	2,068	2,450
Condiments	1,608	2,555	3,271
Dairy	854	132	1,323
Desserts	39	93	215
Entrees	613	698	694
Fruits & vegetables	262	276	487
Pet food	100	179	161
Processed meat	548	785	565
Side dishes	402	560	980
Soups	179	211	264
<b>TOTAL FOOD</b>	<b>8,813</b>	<b>12,312</b>	<b>15,006</b>
<b>Nonfood Categories</b>			
Health & beauty Aids	2,000	3,690	4,368
Household supplies	233	474	426
Paper products	100	153	183
Tobacco products	12	45	38
Pet products	30	116	55
<b>TOTAL NONFOOD</b>	<b>2,375</b>	<b>4,478</b>	<b>5,070</b>
<b>GRAND TOTAL</b>	<b>10,558</b>	<b>16,790</b>	<b>20,076</b>

Source: *New Product News*, January 8, 1995

# **Manufacturer Motivations**

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- Respond to changing consumers**
- Maintain interest of intermediaries**
- Take advantage of new technologies**
- Counter competitive thrusts**
- Transform commodity to value-added**
- Ensure against high new product failure rates - over 90%**

# Costs Borne by Manufacturers: Some Estimates

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- **Research & development for major new plant** **\$150 million**
  - **Marketing analysis for 3%-5% U.S. test market** **\$1 million**
  - **Introductory trade deals common slotting allowance** **\$20,000-\$40,000**
  - **Consumer advertising & promotion "Ultra Pampers"** **\$1 billion**
- 

**TOTAL COST of multiple SKU launch average:** **\$15.9 million**

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# Costs Borne by Intermediaries

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- Personnel (evaluation) costs
- Maintenance of new data
- Wholesale inventory and handling
- Retail shelf space reallocation and signage

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<b>TOTAL Estimate of above:</b>	<b>\$810 per new item (SKU)</b>
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*Not included: deletion costs and non-quantifiable costs*

# Costs Borne by Consumer

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**Search and "information processing" costs and consumer confusion**



**Self-canceling effects of competitive brand advertising**



**Higher prices**

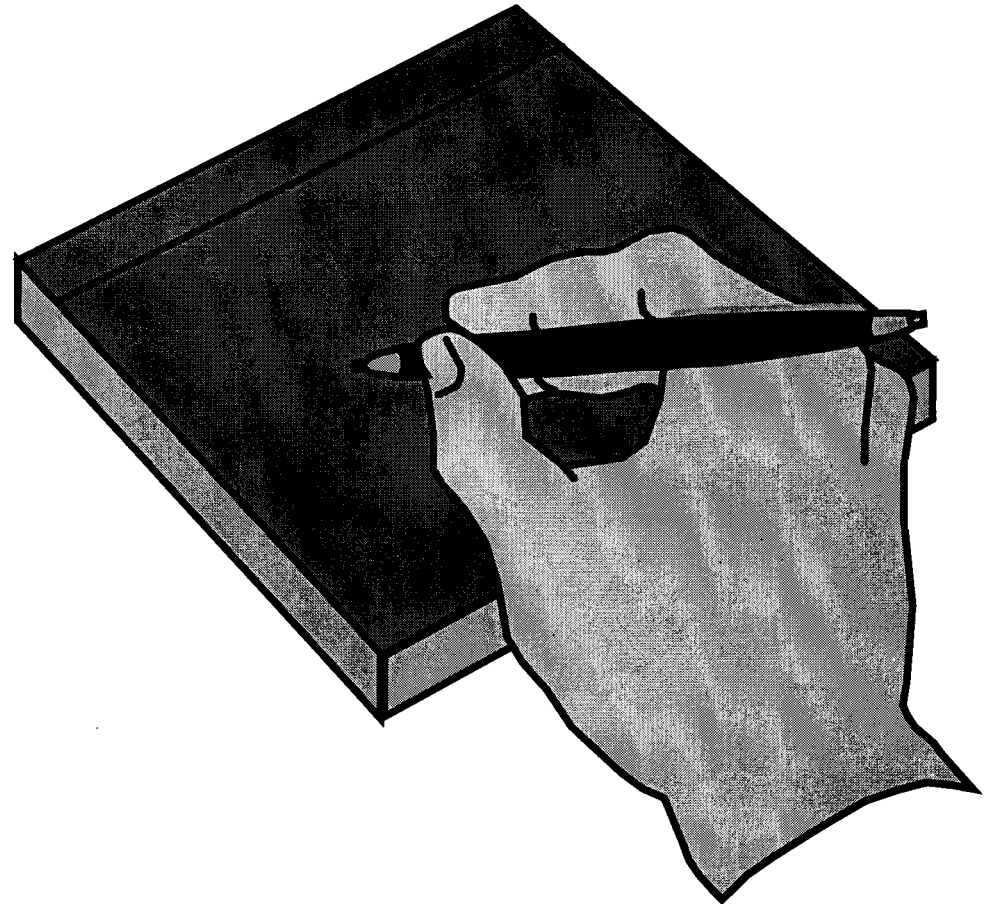
# New Product Research Results

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## Empirical Study Findings:

### Key buyer decision criteria

- Gross margin
- Competition
- Quality/uniqueness
- Category growth
- Terms of trade



# Managerial Implications

New products stimulate buyers (customers & consumers) at least in SR

"Channel development funds" may not be needed, perhaps even negative

Category growth is key. Thus, marketing research needs to be continuous

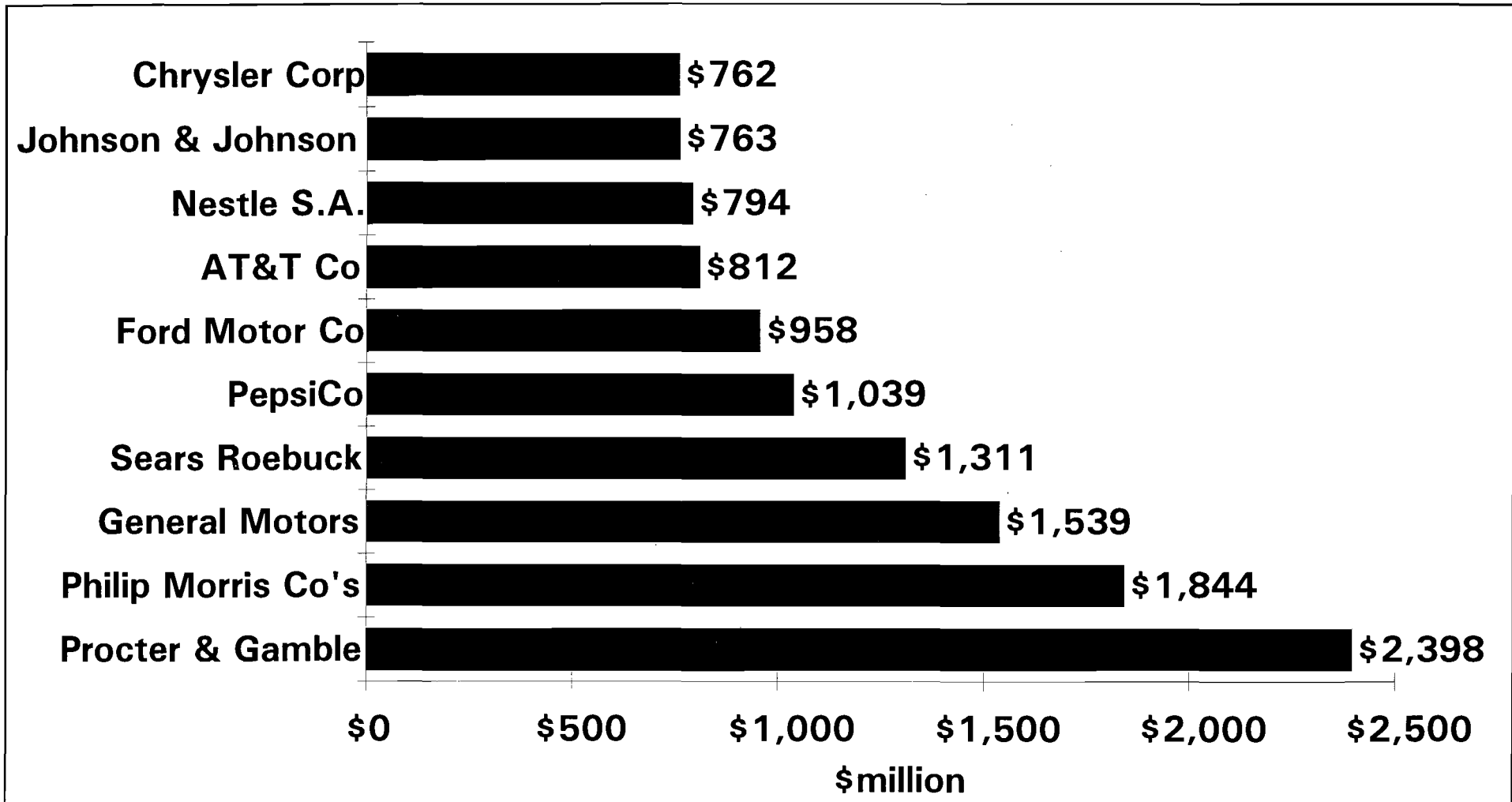
Quality (and uniqueness) matter, not "me-too" items

*Thus, allocate funds to:*

R & D  
Test marketing  
Market research

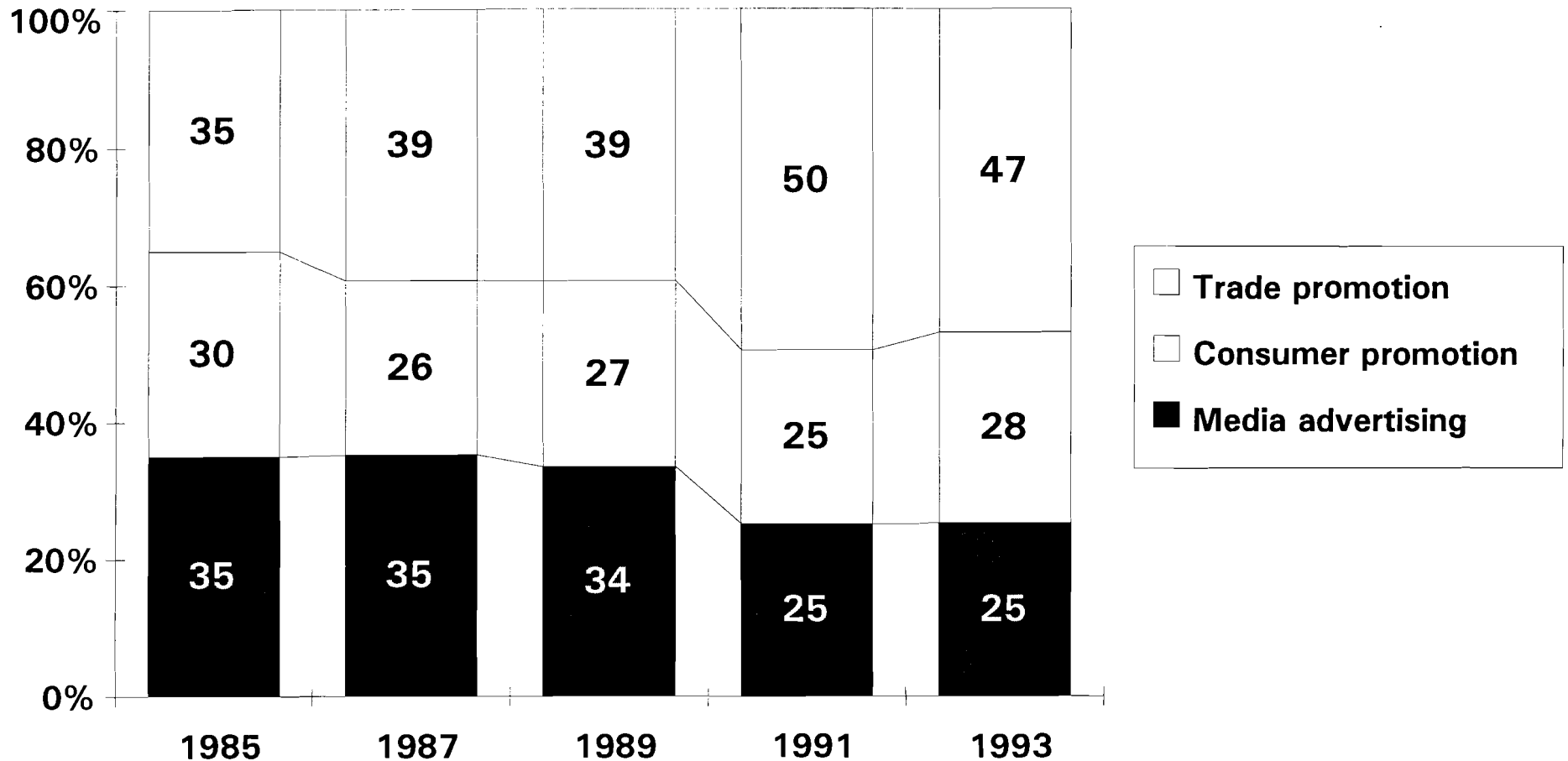
**Only two ways to survive:  
Grow in size or sharpen niche focus**

# Expenditures for Top 10 National Advertisers, 1993



Source: Advertising Age, September 28, 1994

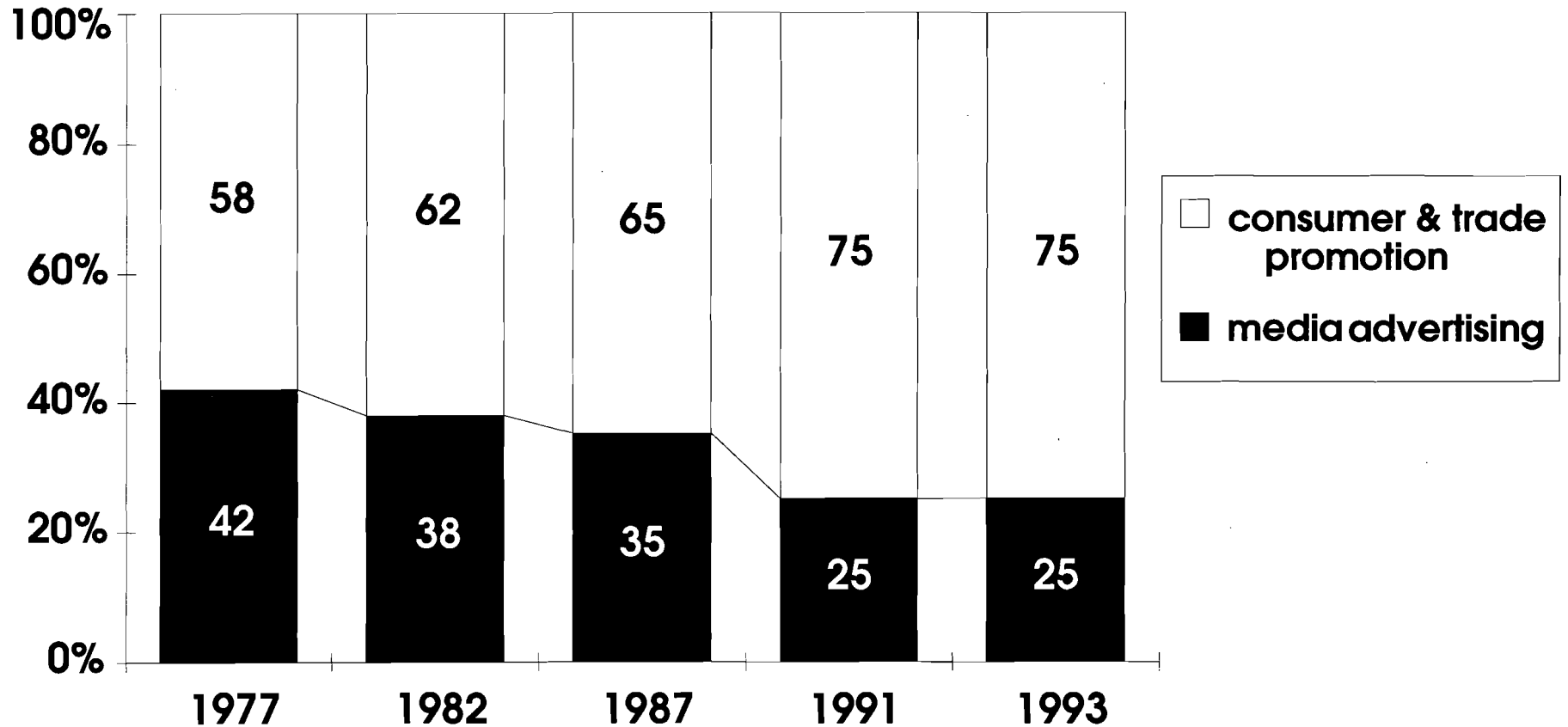
# Shares of Total Advertising Expenditures



Source: Donnelley Marketing Inc.

# Advertising vs. Promotions

## Share of Marketing Spending



# **Reasons for Shift to Sales Promotion**

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- Increase in SR management view**
- More parity products**
- Sales force pressure**
- Consumers and economy**
- Increasing retail concentration**
- Increasing media diffusion**
- More localized promotional planning**
- Measurement capabilities**



# Sales Impact of Various Promotional Conditions

Promotion condition	Price index <sup>1</sup>						
	100	95	90	85	80	75	70
	<i>sales index</i>						
Non-promoted	100	118	142	171	209	258	324
Ad only	198	234	281	338	414	511	641
Display only	213	251	302	364	445	550	690
Display & Ad	395	466	561	675	825	1,019	1,280

<sup>1</sup> 100=undiscounted, everyday normal price

# Consequences of Shift in Promotional Spending

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**Decline in brand loyalty**



**Heightened price sensitivity-  
"commoditization" of brands**

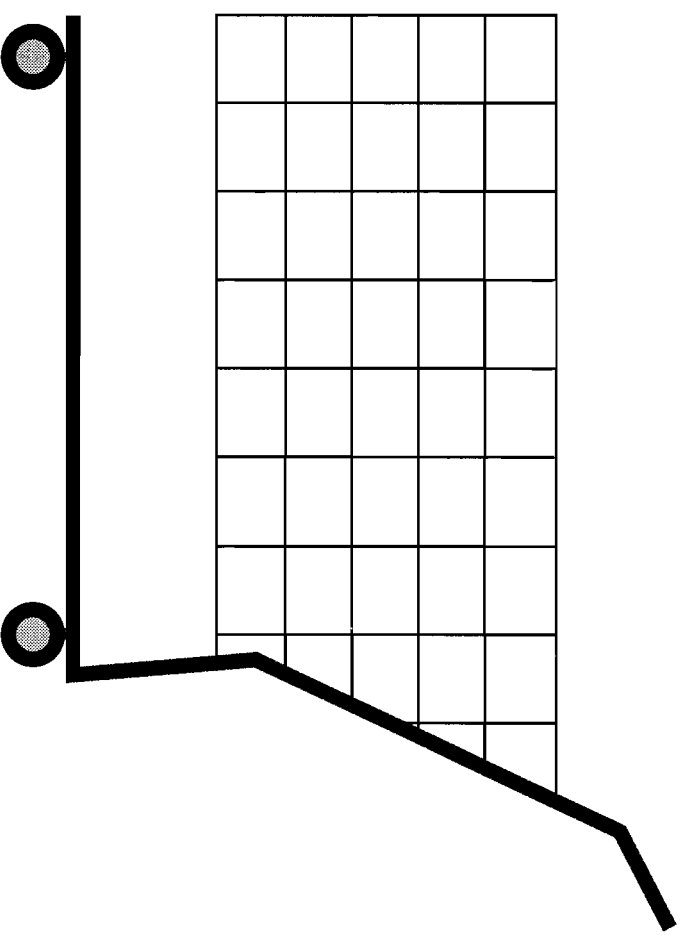


**Encourages forward buying and  
diverting**



**Advantages certain retailers**

# Food Wholesalers and Retailers



# Sales of Top 20 Grocery Companies<sup>1</sup>

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<b>Company</b>		<b>Sales</b>
		<b>(billions \$)</b>
<b>1</b>	<b>Kroger Co.</b>	<b>22.4</b>
<b>2</b>	<b>American Stores</b>	<b>18.8</b>
<b>3</b>	<b>Supervalu Inc.</b>	<b>15.9</b>
<b>4</b>	<b>Safeway</b>	<b>15.2</b>
<b>5</b>	<b>Fleming Cos.</b>	<b>13.1</b>
<b>6</b>	<b>Albertson's</b>	<b>11.3</b>
<b>7</b>	<b>Winn-Dixie Stores</b>	<b>10.8</b>
<b>8</b>	<b>A &amp; P</b>	<b>10.4</b>
<b>9</b>	<b>Food Lion</b>	<b>7.6</b>
<b>10</b>	<b>Publix Super Markets</b>	<b>7.4</b>
<b>11</b>	<b>Loblaw Cos.</b>	<b>6.9</b>
<b>12</b>	<b>Ahold, USA</b>	<b>6.6</b>
<b>13</b>	<b>Scrivner</b>	<b>6.0</b>
<b>14</b>	<b>Vons Cos.</b>	<b>5.1</b>
<b>15</b>	<b>Univa (Provigo)</b>	<b>4.5</b>
<b>16</b>	<b>H.E. Butt Grocery Co.</b>	<b>4.5</b>
<b>17</b>	<b>Meijer</b>	<b>4.3</b>
<b>18</b>	<b>Oshawa Group</b>	<b>4.2</b>
<b>19</b>	<b>Pathmark Stores</b>	<b>4.2</b>
<b>20</b>	<b>Wakefern Food Corp.</b>	<b>3.6</b>

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<sup>1</sup> U.S. grocery store sales only

Source: 1994 Directory of Supermarket, Grocery & Convenience Store Chains

# U.S. Grocery Chains Market Shares, 1929-1993

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<b>Year</b>	<b>Top 4 Chains</b>	<b>Top 8 Chains</b>	<b>Total All Chains</b>
		<i>--percent--</i>	
<b>1929</b>	<b>23.1</b>	<b>26.7</b>	<b>31.5</b>
<b>1948</b>	<b>21.7</b>	<b>25.5</b>	<b>38.6</b>
<b>1963</b>	<b>18.7</b>	<b>25.0</b>	<b>41.1</b>
<b>1975</b>	<b>17.0</b>	<b>25.0</b>	<b>46.6</b>
<b>1980</b>	<b>17.5</b>	<b>26.3</b>	<b>46.7</b>
<b>1984</b>	<b>19.4</b>	<b>26.8</b>	<b>49.3</b>
<b>1993</b>	<b>17.2</b>	<b>26.1</b>	<b>54.5</b>

# 1993 Grocery Sales

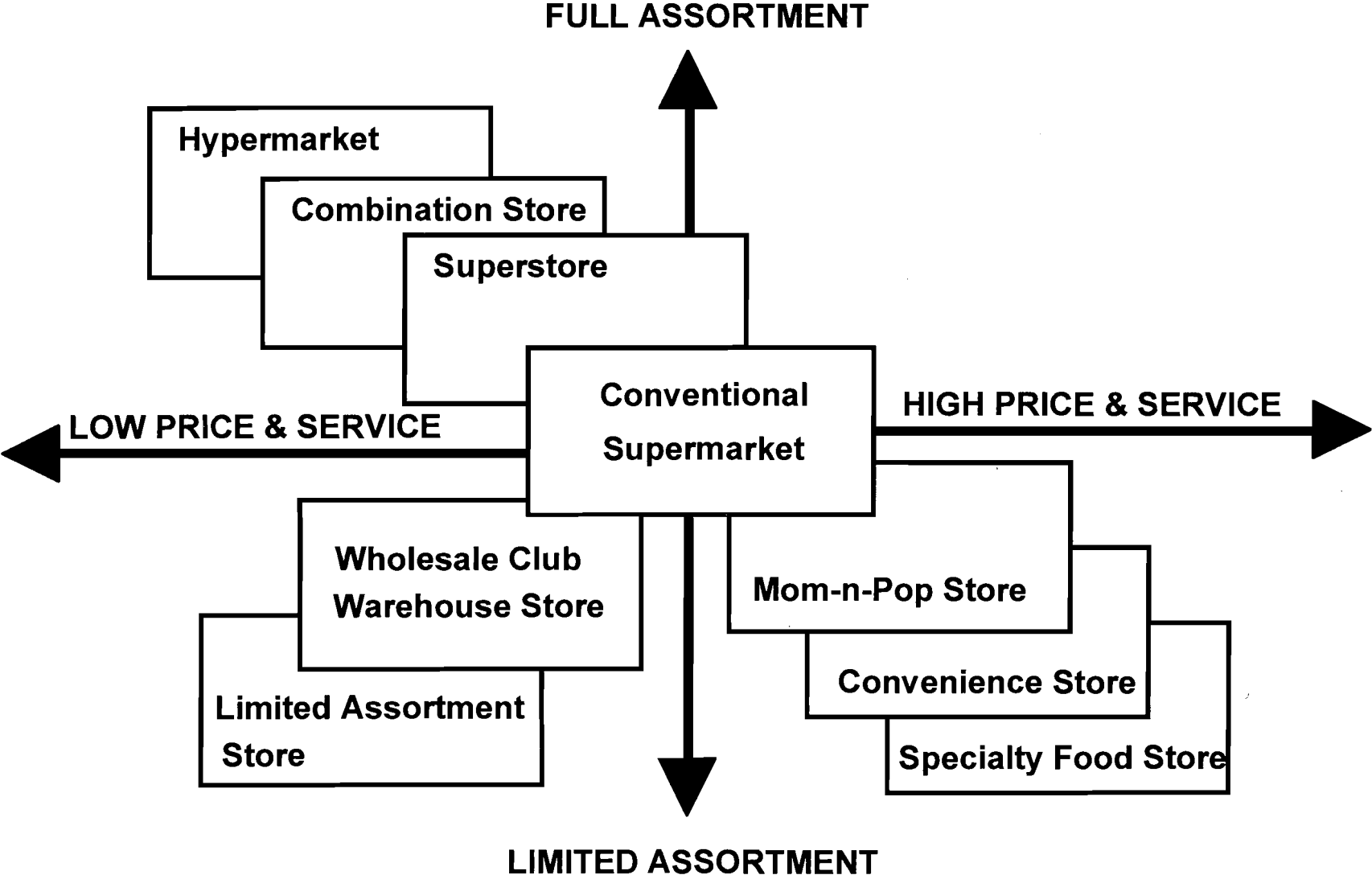
## *By volume and format*

	Number of stores	% of total	\$ sales (billions)	% of total
<b>All grocery stores</b>	<b>138,000</b>	<b>100.0</b>	<b>390.0</b>	<b>100.0</b>
<b>Supermarkets</b> <i>(\$2 m or more)</i>	<b>29,800</b>	<b>21.9</b>	<b>292.0</b>	<b>74.9</b>
<b>Chain supermarkets</b> <i>(\$m)</i>	<b>17,800</b>	<b>13.1</b>	<b>212.4</b>	<b>54.9</b>
\$2-3.9	1,280	0.9	3.6	0.9
\$4-7.9	4,215	3.1	23.5	6.0
\$8-11.9	4,560	3.4	44.0	11.3
\$12-19.9	4,635	3.4	66.0	16.9
\$20 -+	3,110	2.3	75.3	19.3
<b>Independent supermarkets</b> <i>(\$m)</i>	<b>12,000</b>	<b>8.8</b>	<b>79.6</b>	<b>20.4</b>
\$2-3.9	4,925	3.6	14.3	3.7
\$4-7.9	4,340	3.2	24.3	6.2
\$8-11.9	1,300	1.0	12.6	3.2
\$12-19.9	890	0.7	12.9	3.3
\$20 -+	545	0.4	15.5	4.0
<b>Convenience stores</b>	<b>58,000</b>	<b>42.7</b>	<b>27.0<sup>1</sup></b>	<b>6.9</b>
<b>Wholesale club stores</b>	<b>690</b>	<b>0.5</b>	<b>19.0<sup>1</sup></b>	<b>4.9</b>
<b>Other stores</b>	<b>47,510</b>	<b>34.9</b>	<b>52.0</b>	<b>13.3</b>
<b>By supermarket format</b>				
<b>Conventional</b>	<b>19,125</b>	<b>64.2</b>	<b>139.0</b>	<b>47.6</b>
<b>Extended<sup>2</sup></b>	<b>7,000</b>	<b>23.5</b>	<b>110.0</b>	<b>37.7</b>
<b>Economy<sup>3</sup></b>	<b>3,675</b>	<b>12.3</b>	<b>43.0</b>	<b>14.7</b>
<b>Total supermarkets</b>	<b>29,800</b>	<b>100.0</b>	<b>292.0</b>	<b>100.0</b>

<sup>1</sup> supermarket items only. <sup>2</sup> includes combination (1,200) and superstore (5,800). <sup>3</sup> includes limited assortment (770), warehouse (2,400), super warehouse (375) and hypermarket/supercenter (13)

Source: Progressive Grocer, April 1994

# Retail Food Store Format Positioning



# Store Format Growth Trends, 1980-1998

Traditional Grocery Channel	1980		1993		1998 <sup>1</sup>	
	Stores	% of ACV Share	Stores	% of ACV Share	Stores	% of ACV Share
Conventional	30,250	55.2	15,370	26.1	13,500	20.6
Superstore	3,150	11.6	6,270	22.4	7,200	23.1
Food/Drug Combo	475	2.2	2,190	10.2	3,500	14.5
Warehouse Store	920	2.5	2,400	6.5	1,950	4.7
Super Warehouse	7	na	500	3.4	675	4.1
Limited Assortment	750	0.6	730	0.6	930	0.6
Convenience Store (trad.)	35,800	5.4	49,800	6.6	48,500	5.7
Convenience Store (petro.)	na	na	34,200	3.6	36,000	3.4
Other	96,000	22.5	51,650	11.8	39,000	8.0
<b>Subtotal</b>				<b>91.2</b>		<b>84.7</b>

<sup>1</sup> projections



# Store Format Growth Trends, 1980-1998 (cont.)

Non-traditional Grocery Channel	1980		1993		1998 <sup>1</sup>	
	Stores	% of ACV Share	Stores	% of ACV Share	Stores	% of ACV Share
Hypermarket	na	na	18	0.2	19	0.2
Wholesale Club	na	na	603	5.6	800	6.6
Mini Club	na	na	148	0.3	175	0.3
Supercenter	na	na	250	1.5	1,020	7.0
Deep Discounter	na	na	690	1.2	750	1.2
<b>Subtotal</b>	<b>na</b>	<b>na</b>		<b>8.8</b>		<b>15.3</b>
<b>Traditional Grocery Channel</b>						
<b>Subtotal</b>				<b>91.2</b>		<b>84.7</b>
<b>TOTAL</b>				<b>100.0</b>		<b>100.0</b>

<sup>1</sup> projections

# Supermarket Sales Distribution: Past, Present & Future

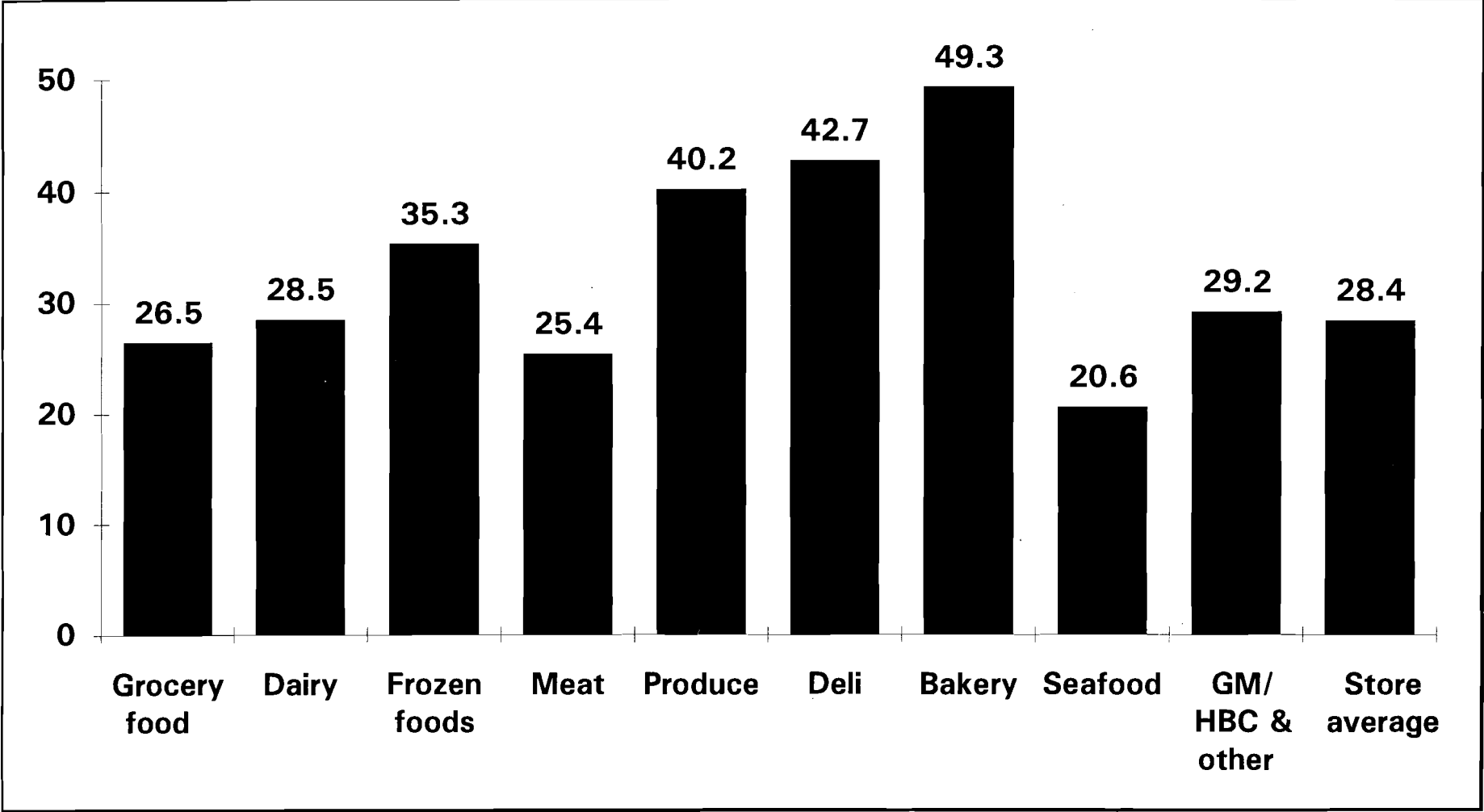
	1967 <sup>1</sup>	1989 <sup>2</sup>	1993 <sup>2</sup>	2000 <sup>3</sup>
<b>Meat</b>	<b>24.1</b>	<b>15.5</b>	<b>14.0</b>	<b>13.2</b>
<b>Dairy</b>	<b>11.1</b>	<b>6.2</b>	<b>6.0</b>	<b>7.5</b>
<b>Produce</b>	<b>7.6</b>	<b>9.1</b>	<b>10.4</b>	<b>11.9</b>
<b>Deli</b>	<b>na</b>	<b>4.3</b>	<b>6.0</b>	<b>5.6</b>
<b>Bakery</b>	<b>na</b>	<b>2.6</b>	<b>3.3</b>	<b>2.7</b>
<b>Seafood</b>	<b>na</b>	<b>1.1</b>	<b>1.1</b>	<b>2.4</b>
<b>Frozen foods</b>	<b>4.3</b>	<b>5.4</b>	<b>5.2</b>	<b>7.3</b>
<b>Grocery, food</b>	<b>34.5</b>	<b>27.0</b>	<b>26.6</b>	<b>23.9</b>
<b>GM/HBC/other</b>	<b>18.9</b>	<b>28.8</b>	<b>27.4</b>	<b>25.5</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Chain Store Age, 1968

<sup>2</sup> Supermarket Business, September 1990, 1994

<sup>3</sup> Cornell Food Executive Program projections, 1993

# Supermarket Gross Margins



Source: Supermarket Business, September 1994

# Private Label Market Share Trends

## *U.S. Supermarket Industry*

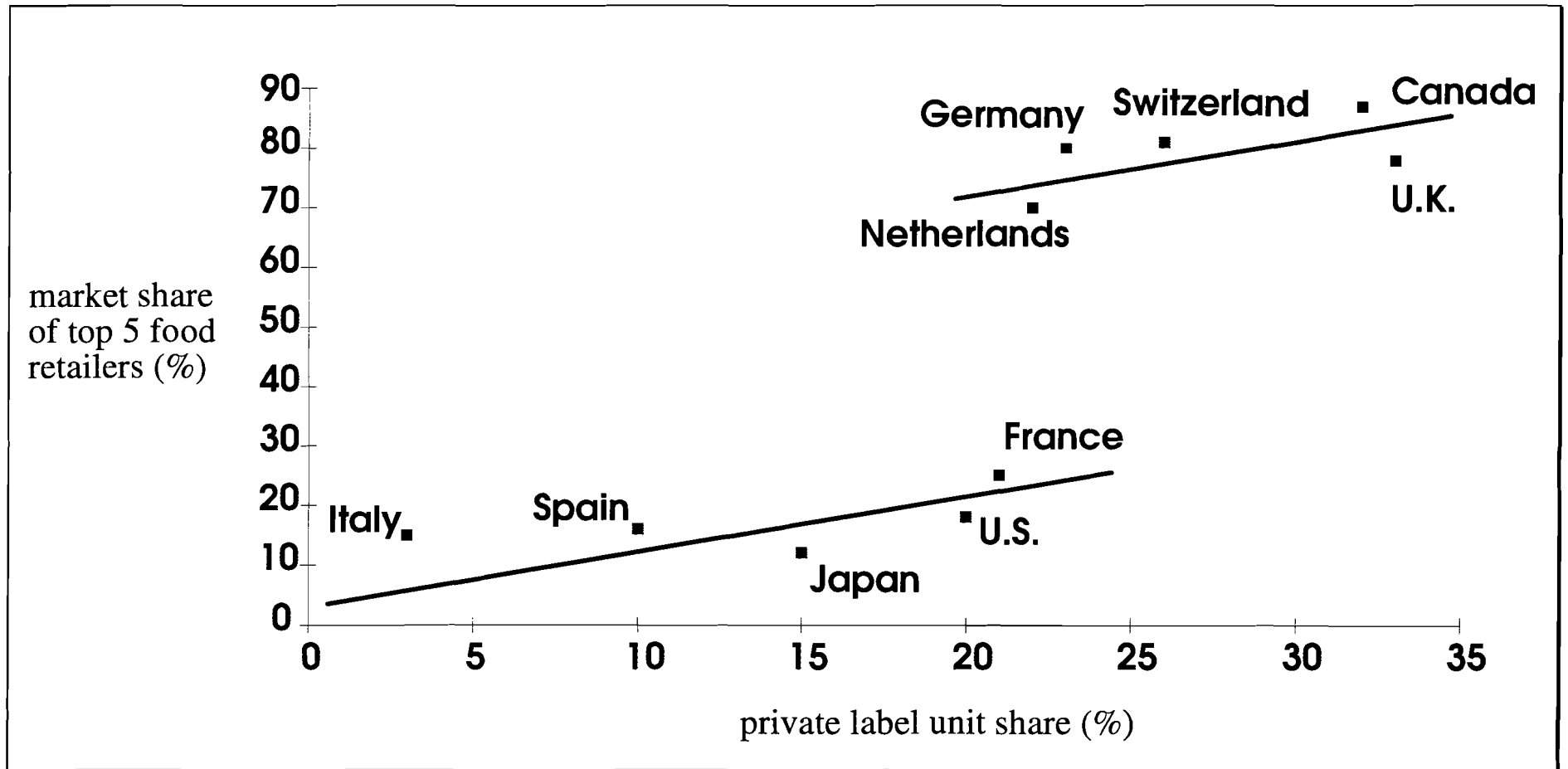
<b>Year</b>	<b>Dollar share</b>	<b>Unit share</b>
	<i>--percent of total sales--</i>	
<b>1988</b>	<b>11.6%</b>	<b>15.3%</b>
<b>1989</b>	<b>11.6</b>	<b>16.4</b>
<b>1990</b>	<b>13.7</b>	<b>17.6</b>
<b>1991</b>	<b>13.6</b>	<b>18.1</b>
<b>1992</b>	<b>13.9</b>	<b>18.2</b>
<b>1993</b>	<b>14.6</b>	<b>19.9</b>

# U.S. Private Label Share by Department, 1992

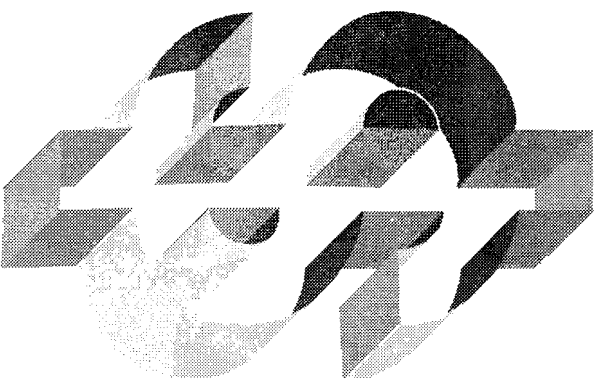
## *U.S. Supermarket Industry*

	Dollar share	Unit share
	<i>--percent of total sales--</i>	
Edible groceries	9.4%	14.1%
Non-edible groceries	8.0	11.0
Frozen	15.4	20.9
Dairy	35.8	36.0
Bakery	24.1	34.9
Deli	11.7	16.3
HBC	7.2	9.8
General Mrchd.	13.8	20.5
<b>Total</b>	<b>13.9%</b>	<b>18.2%</b>

# Correlation of Market Concentration & Private Label Penetration by Country



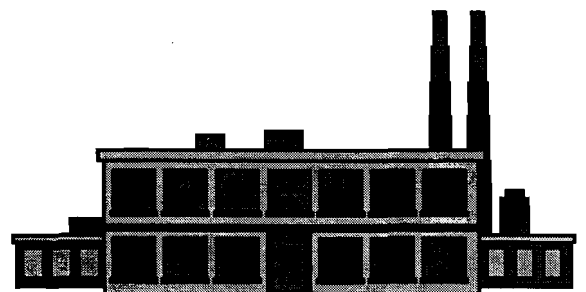
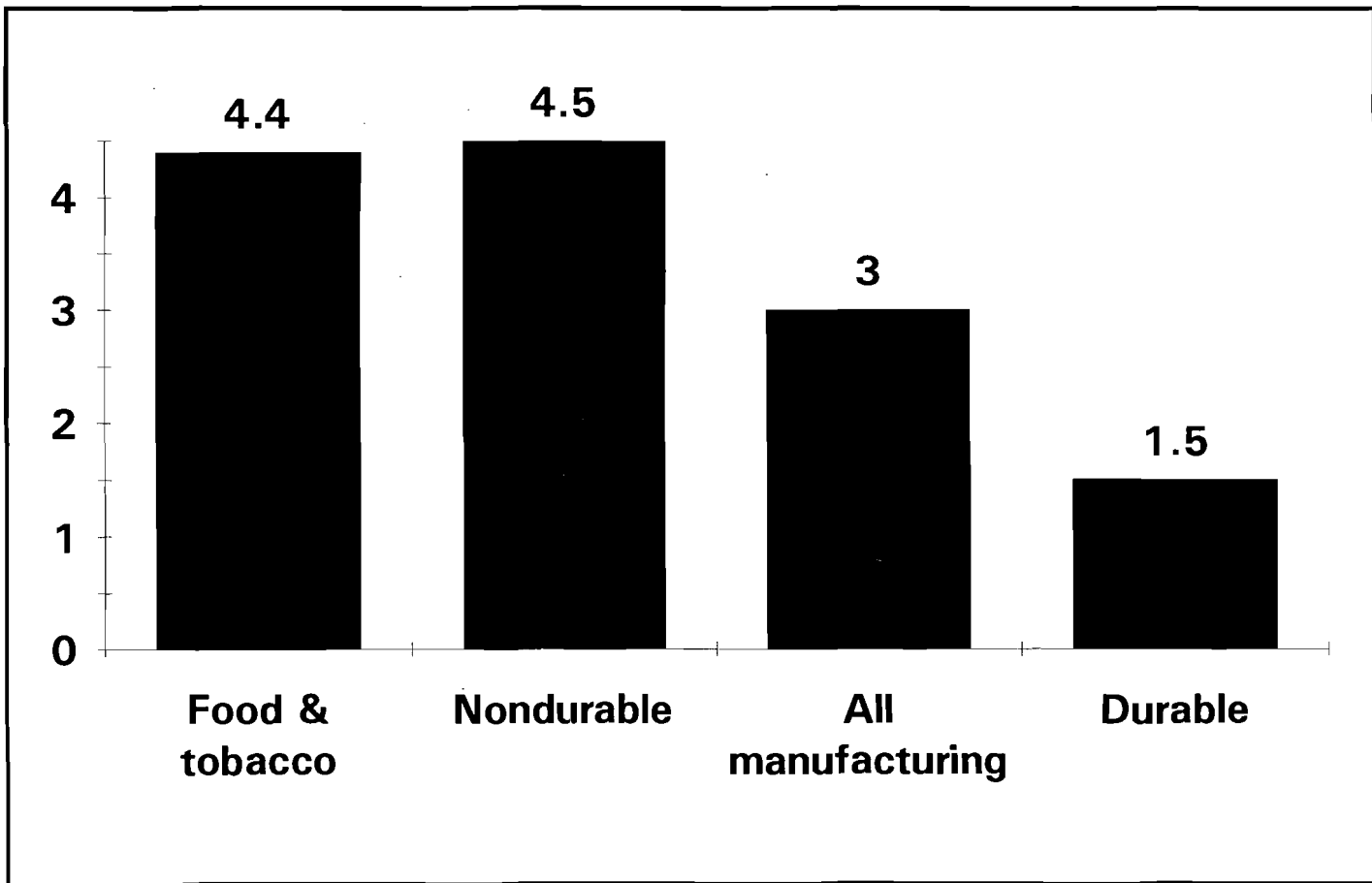
# Financial Performance



# Average After Tax Profits as a Share of Sales: Manufacturing, 1989-92

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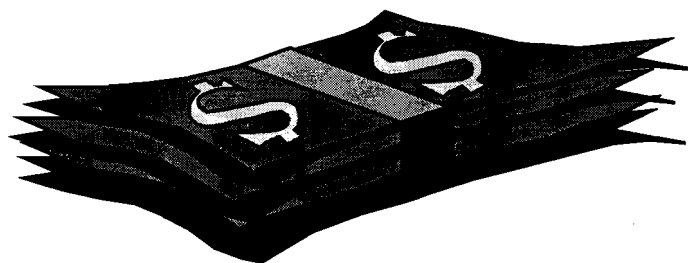




# Return on Investment for Food Manufacturers and Food Retailers, 1990-1994

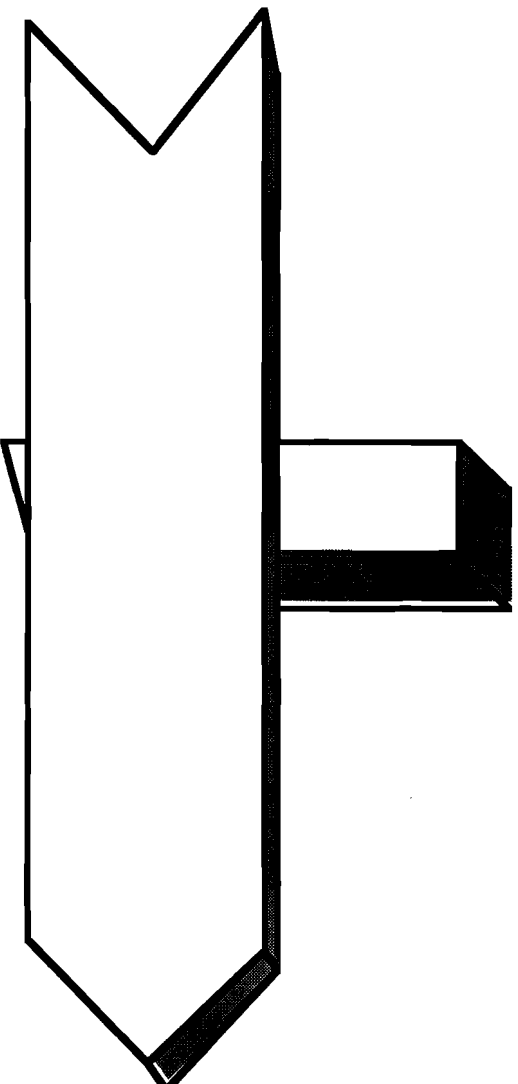
	<u>Net Profit Margin</u>		<u>Net/Assets</u>	
	Manufacturer	Retailer	Manufacturer	Retailer
	%		%	
1989	4.2	1.03	13.7	11.0
1990	4.4	1.28	14.8	11.8
1992	4.4	1.35	13.6	10.5
1994 <sup>1</sup>	4.5	1.65	19.0	11.5

<sup>1</sup> estimates



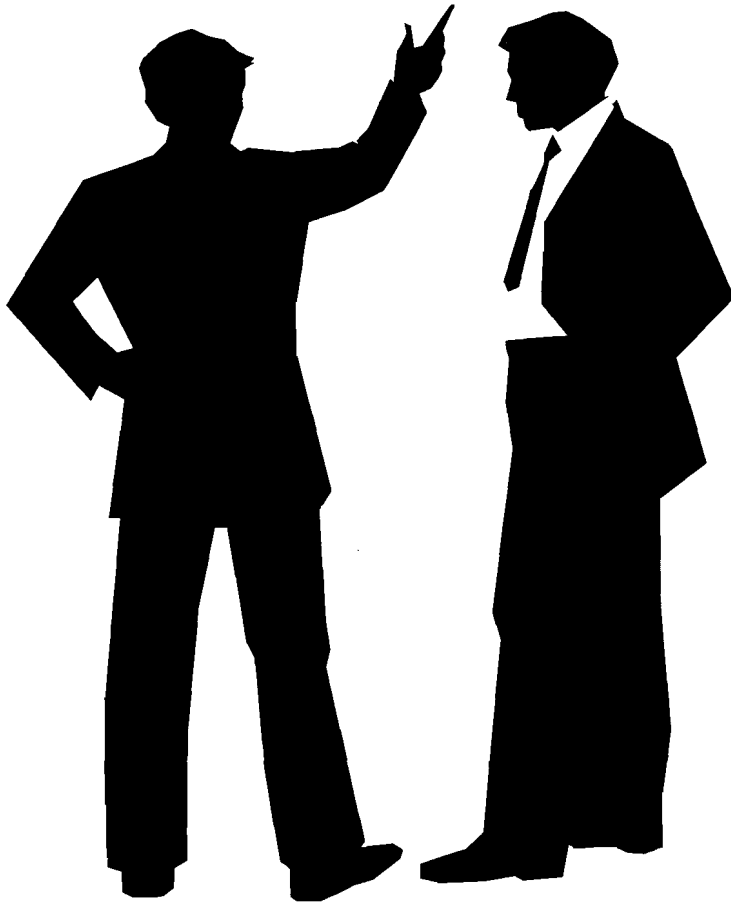
Source: Value Line Investment Survey, November 18, 1994

# Directions for the Future



# Food Industry Directions Toward the Year 2000

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- **Adding more value**
- **Eliminating unnecessary costs**

# Adding Value

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- **Differentiation--product variety**
- **Positioning--new hybrid formats**
- **Growth of private label**
- **Service and freshness**
- **Consumer orientation**



# Eliminating Costs

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- **Electronic imperatives--ECR, EDI, logistics optimization**
- **Need for low cost status--retailer and supplier**
- **Reduce advertising--but increase promotion**
- **Develop strategic alliances with preferred suppliers**

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