

# SN

SUPERMARKET NEWS

## Paradise Lost?

After years of unbridled growth, Florida retailers are adapting to a slower pace of development — Page 12

PHOTO:DOO/ISTOCK



## New Bills Expand FDA Power

By MARK HAMSTRA

**WASHINGTON** — New legislation introduced in Congress last week seeks to strengthen the Food and Drug Administration's ability to monitor food safety.

The measures — one bill that was introduced in the Senate and another that was expected late last week in the House — follow recent calls from major industry associations for a stronger FDA following a series of outbreaks of foodborne illnesses.

"Recent outbreaks, recalls and food-safety scares have revealed weaknesses in our current system and new challenges in an ever-changing

See New, Page 31

## Everyday Pricing, New Branding Drive Ahold

By JON SPRINGER

**AMSTERDAM** — Lower everyday prices at Stop & Shop and Giant-Landover are beginning to work just as officials had hoped they would.

Consumers seeking value amid deteriorating economic conditions helped Ahold here post increases in sales and net income for the recently ended fourth quarter and fiscal year, with its largest U.S. chains, Stop & Shop and Giant-Landover, each posting their best quarterly identical-store sales in five years.

What's more, the strong traffic allowed Ahold to back off on promotions and begin to leverage fixed costs during the quarter, leading to what one analyst called "blowout" earnings results that surpassed analyst expectations.

Larry Benjamin, chief operating officer of Ahold USA, in an interview with SN last week said that the chain had not

seen notable changes in consumer behavior attributable to the economy beyond an uptick in private-label sales, particularly among its lower- and middle-tier products.

He credited a "smart" mix of promotions and everyday pricing, along with positive response to new branding programs around the everyday lower pricing programs, as key factors in the resurgent banners.

"Given the remarkable changes in the economy, we really haven't seen anything particularly striking or off-trend other than a shift toward value and private label — but that's a trend we've seen for a long time," Benjamin said. "We've had good numbers on trips and good responsiveness to our everyday prices, and we were able to reduce promotional spending, which was counterintuitive. But we were able to drive IDs off our everyday pricing."

Promotions at Ahold, he said, are becoming more targeted

See Everyday, Page 31

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# FRESHMARKET

## Prices For Beef Expected To Fall

By MATTHEW ENIS

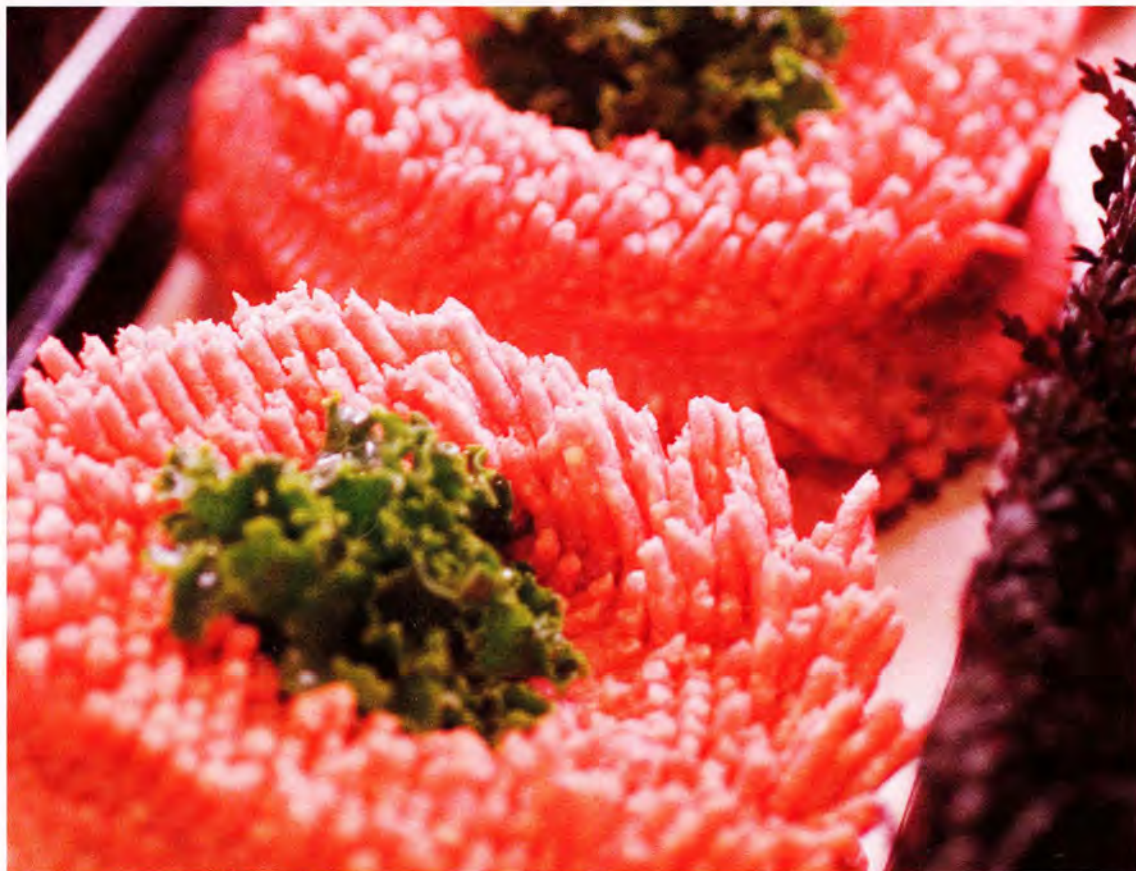
**MINNEAPOLIS** — This year, boxed beef prices will remain the same or will continue to fall to below levels established in December 2008, according to 57% of producers surveyed by *BEEF* magazine, a sister publication of *SN* published here. In addition, almost 70% of producers expect domestic demand for beef to remain stable or improve in 2009, with 51% of respondents saying demand will remain the same, and 18% expecting improvement.

If these predictions prove correct, 2009 will be a good year for retail meat departments. However, the survey of almost 600 ranchers and beef producers reflected near-term pessimism, with a majority of respondents expecting their input costs to moderate or rise this year, even as the price for cattle falls or flattens.

After a year in which prices for corn and soybeans reached historic highs, 54% of respondents did expect feed prices to stay the same or decrease in 2009, but 55% also expect energy costs to rise, and 54% expect inflation to rise.

Greater consensus was reached when producers were asked about their three-year outlook. The majority of respondents expect to see growing demand for beef, higher boxed beef prices, increased exports and improvements in the U.S. and world economies in this time frame.

"Producers are currently shell-shocked, but convinced that these are passing conditions," wrote *BEEF* research manager Scott Grau. Full survey results can be found online at [beefmagazine.com](http://beefmagazine.com).



## RARE OPPORTUNITY

With more shoppers cooking at home, and wholesale prices for meat and poultry falling, a great climate is developing for meat department promotions

By AMY SUNG

The economic downturn has spurred changes in consumer behavior. Within the meat department, retailers have increasing opportunities to promote items through aggressive featuring, sampling, and other promotions that will speak to consumers and capture their food dollars as they become more price-conscious but are still seeking simple and convenient meal solutions.

"More folks are eating at home," said Scott Nettles, business director of meat and seafood, United Supermarkets, Lubbock, Texas.

"Some have traded down to cheaper chuck, round and ground meats and poultry hind-quarter meats, but others who are used to eating out are really going for the upper-end steaks. The downturn has really forced the consumer back to the meat counter."

According to the National Grocers Association's 2009 Consumer Panel Survey, 89% of shoppers reported that they ate at home three or more times per week in 2008,

a 2% increase over 2007. More shoppers eating at home has also meant declining demand for meats at restaurants, which is one of several factors putting downward pressure on wholesale prices for meat. These trends offer retailers a real opportunity in the meat department, noted Randy Irlion, director of retail marketing for the National Cattlemen's Beef Association, Chicago.

"We're really focused on offering supermarket customers value for the beef that they buy," Irlion said. "And one of the observations that we've made is that meat department managers do have a great opportunity with beef to feature it at competitive prices. The reason for that — particularly on the middle meats — is that the wholesale prices for many of the cuts have come down, because consumers are no longer going out to eat as much as they once did."

Retail beef dollar sales increased 5.8% during the fourth quarter of 2008, off of a pound volume increase of

*Continued on Page 20*

# Rare Opportunity

Continued from Page 19

3.2%, according to recent data from The FreshLook Marketing Group, Schaumburg, Ill.

"There was very strong demand for beef at retail in 2008, but that strength was actually accelerated in the fourth calendar quarter of the year, which was generally when people started recognizing that the economy was in trouble," said Irion.

"If we look at all of 2008, dollar sales for beef were up 2.2% and pound sales were up 2%; the price advanced a little bit, by 0.3% — that's why we saw dollar advance a little bit more than pounds."

Dollar sales of chicken and pork also rose. Chicken dollar sales increased 7.7%, with volume up 9.4%, as retail prices fell an average of 1.6%. Pork sales also rose 5%, with volume up 4.8% on flat pricing.

While beef prices did rise

last year, the increase was minimal.

"All the talk about rising costs, we certainly saw a lot of increases in input cost earlier on in the year, but the reality at retail, the price barely moved over the course of the whole year," Irion said. "The average price for all beef cuts — and, of course, this would include filet mignon as well as ground beef — was \$3.69 for 2008. That was 0.3% from where it was in 2007, so not a lot of increase for beef pricing at retail."

Still, consumers are looking for value and approaching spending more conservatively.

Maria Brous, spokeswoman for Publix Super Markets, said she has noticed that regardless of economic conditions, chicken — breasts, wings, thighs and drumsticks — always remains popular with customers at the Lakeland, Fla.-based chain.



Despite spiking feed and fuel costs in 2008, the average retail price of beef was flat all year.

"With the current state of the economy, we haven't seen customers spending less in the fresh departments, but have noticed that they may be trading down. In other words, filet may not be the

first choice, but they may choose a different option in steak cuts or trade off to chicken or fish."

Irion agreed that some consumers are trading down.

"Top sirloin has come up quite a bit in terms of its share of sales," he said, adding that this was a change this year. "I think that as people have gotten more conservative with how they spend their money, they might have traded down from a tenderloin or a porterhouse to something like a top sirloin — there was probably more top sirloin available at retail because not as much of it was getting utilized in the foodservice channel."

Ground beef also remained a popular choice for shoppers, leading all beef cuts in both volume and dollar sales. The combined category of 78%-84% lean ground chuck accounted for \$450 million in sales during the fourth quarter of 2008.

## SEEING VALUE

The combination of lower wholesale costs and the increasing number of shoppers cooking at home is creating great opportunities for meat departments, but shoppers are watching their household food budgets closely this year. Retailers must make the value involved clear to the consumer.

Nearly 97% of consumers surveyed in NGA's 2009

Consumer Panel Survey said they want to know the cost of an item before buying, and 52% said price is "very important" in deciding where to buy food. Furthermore, 58% say sales/specials are "very important" factors in where they shop today, a 7% increase over last year.

United has started a program called "Completing the Value Message" throughout all of its departments, including the meat and seafood department, Nettles told SN.

"Our entire sign program, no matter what the demographics of the specific store, is designed to convey a message of value to our guests," Nettles said.

"In some stores, that is a cheaper price point; in others it is highlighting the value of buying in super value packs and saving more per pound. And in others it is a meal replacement for a good price."

Nettles added that all of United's EDLP items and trade promotions, such as manager's specials, weekly ads and monthly value ads, are tagged with a shelf talker highlighting the low or lowered price point. The different programs are tagged with different-colored shelf talkers.

"We have also started highlighting the savings per pound on the front-page weekly circular items," Nettles said.

Publix also extensively features sales in its fresh meat

Continued on Page 22

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Chicken has also continued to perform well, with shoppers cooking more meals at home. Many retailers are tying meat and poultry promos to demos and sampling.

## NCBA TRAINS RETAILERS

CHICAGO — The National Cattlemen's Beef Association here has offered its "Beef Training Camp" program for four years now, but only recently has it taken its efforts online. Since converting into an electronic format in October, page views of the Beef Training Camp page have doubled.

"Nearly all of the major retailers have either conducted a Beef Training Camp session or have incorporated Beef Training Camp into their own training programs," said Randy Irion, director of retail marketing for NCBA.

"As we were updating it, we decided to make it Web-based, and that has definitely struck a chord with our audience. I don't think anybody can afford anymore to have just volumes and volumes of books out there dedicated to various topics. What they want to do is, when they're ready to find out information or share information with their staff associates about crating, cooking or safe handling, they can just bring that information up on an as-needed basis. It also gives us the opportunity to update the information at a much reduced cost vs. updating printed materials."

The program, offered on [www.beefretail.org](http://www.beefretail.org), gives retailers the tools to create customized training sessions for meat associates using fact sheets, slide presentations and videos. It also helps gather information about new beef cuts, including preparation pointers and cooking methods to pass on to consumers in addition to quarterly graphs and charts on consumer trends in the meat case.

Besides converting into an electronic format, NCBA added Customer Service and Hispanic Marketing modules, as well as up-to-date consumer trend data and information on new cuts such as the Ranch Steak. The Beef Training Camp modules can be customized for various training scenarios, including new employee introductions, refresher courses on specific topics, periodic customer service training and preparation for the various selling seasons, such as summer grilling, Irion told SN.

— A.S.

## Rare Opportunity

Continued from Page 20 and seafood departments in its weekly sales flier, Brous said.

"We are always looking to promote value and pass sav-

ings on to our consumers," Brous told SN.

"We feature family packs heavily and offer meal solutions for singles, small and

large families in our assembled meals section of our meat case."

Irion said he saw retailers aggressively promoting beef in the last quarter of 2008, with feature activity increasing 2.7% during that time.

"I think that the increase

in feature support signaled that the retailers saw featuring beef as an opportunity, and they were rewarded with larger dollar and pound sales."

NCBA has been offering partnership promotions since before the recession began influencing consumers' shop-

ping habits, and Irion said he still believes it's an effective way to promote beef as a value.

The association has partnered with AI and Anheuser-Busch in the past. Mrs. Dash and California cheese are two new partners this year, Irion told SN.

"We started working on those last summer, and we're just grateful that we have a number of tools in the marketplace that offer between \$1 and \$3 off of a beef purchase with the purchase of a companion product," Irion said.

"We think that our promotion partnerships are very well timed to take advantage of the concerns that consumers are expressing today about their grocery bills. So, we think we're really helping them with their food budgeting."

### TASTING VALUE

With the recession deepening, it may seem that store demos would diminish in importance, as price becomes more and more of a deciding factor for shoppers. However, with customers cooking more at home, they're going to need more ideas than ever for ways to stretch their budgets while still offering



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their families day-to-day variety at the dinner table. Help from their local supermarket will likely be rewarded with loyalty.

Publix ties in featured items with cooking demonstrations and sampling through its Apron's Simple Meals idea of the week. The meal idea typically incorporates an on-sale item of the week as its center-of-the-plate protein.

"That is to say, if chicken breasts are on sale this week at Publix, our Apron's Simple Meals kiosk will demonstrate/sample a recipe featuring chicken breasts," Brous explained.

"It is important to consistently interact with our customers, and sampling is the perfect way to accomplish this in our meat and seafood departments. We provide customers with new, creative recipes or old favorites for traditional dishes. Providing meal solutions is what our customers have grown accustomed to at Publix."

Nettles agreed that recipes and cooking demonstrations remain beneficial to making sales. "In this economy, moms are still trying to feed the family a good meal, but are less likely to try an unfamiliar item," he said. "The demo lets them taste the item before spending the money on an item they have never purchased before."

Nettles added that United is emphasizing value in a number of different ways, ranging from stanchion signs in the front of stores to promote Super Value Packs, to

emphasizing meal solution items as a convenient, less expensive alternative to restaurants, because different consumers are defining value in different ways.

"[It's important to just be] aware of our consumer base more now than ever before, and being prepared to offer the solutions they need and want," Nettles said. "They are looking for a bargain, but it may be different to each consumer."

Staying aware of how shoppers perceive value is crucial during times like these, Irion agreed.

"I think in this economy,

value is a motivation for just about everybody," he said.

"I think it is very important for retailers to constantly be aware of what their consumers are looking for, what the opportunities are that exist out there. I think retailers are concerned about breaking certain price points on certain feature items. But I think what they need to do, in a very sober fashion, is look at the opportunities they have today based on the wholesale costs of some of these cuts, and feature them as aggressively as they possibly can, and I think the retailers that do that will be rewarded." **SN**

## NEWSWATCH

### GROUND BEEF MEALS PROMOTED

WICHITA, Kan. — Cargill has announced the launch of "Feed the Whole Family for \$10," a turnkey ground beef promotion for retailers, featuring point-of-sale signage; recipe cards for meals such as baked spaghetti, Texas stew and shepherd's pie; a dedicated consumer website, [www.groundbeefvalues.com](http://www.groundbeefvalues.com); and an instant-win game offering shoppers the chance to win free ground beef for a year. Citing recent research that indicates 71% of shoppers are cooking at home more and eating out less, company officials said the goal of the promotion is to spur repeat purchases of ground beef by arming shoppers with inexpensive, easy-to-prepare recipes. Currently, 1,100 retail grocery locations in the U.S. are offering the promotion, which will continue through April 13. "With current economic conditions as they are, for consumers, it's all about value and more bang for their buck," said brand manager Elizabeth Gutttschenritter.

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"The downturn has really forced the consumer back to the meat counter."

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