



BizBuzz

News That Makes Teeth Whiter, Clothes Brighter, and Life Just Plain Better

Transaction News

The deal world is picking up a bit.

The Consumer BizBuzz

is compiled and published by

Dave Hardie of

Herbert Mines Associates

Executive Search Consultants

212 355-0909

dhardie@herbertmines.com

- **Kraft** made a \$16.7 billion bid for **Cadbury**. It was rejected, so you can expect lots of posturing, a few threats, a potential competing bid, some haggling, and then happily ever after.
- **Suntory** and **Kirin** are considering a merger. Combining the two Japanese brewers would create a \$40 billion company.
- **PepsiCo** cemented a \$7.8 billion deal to buy their top two bottlers, **Pepsi Bottling Group** and **PepsiAmericas**. The price is up 24% from the opening bid four months ago.
- **P&G** is selling their prescription drug business to **Warner Chilcott**, a company focused on drugs for dermatology and women's health. The price is more than \$3 billion.
- **JBS**, the Brazilian beef giant, is buying a 64% stake in bankrupt **Pilgrim's Pride** for \$800 million. They are also merging with **Bertin**, a Brazilian rival. All told, it will make them even bigger than **Tyson**.
- **Anheuser-Busch InBev** is selling four plants that make cans and lids, mostly for soft drinks. You know the drill: the \$577 million price helps trim the company's acquisition-driven debt.
- **AB InBev** will also sell their operations in Ireland and Scotland to **C&C Group**, an Irish drinks maker. The \$292 million price includes *Tennent's Lager*, the #1 lager in Scotland.
- **Philip Morris International** made two buys. They are paying \$452 million for **Protabaco**, a Colombian cigarette maker. They are also paying \$222 million for the South African snuff and pipe tobacco business of **Swedish Match**.
- **British American Tobacco** is paying nearly \$600 million for **PT Bentoel**, the #4 tobacco company in Indonesia. They make kreteks, which everyone knows are cigarettes with tobacco and cloves.
- **Dean Foods** bought **Alpro**, a Belgium-based maker of soy beverages and foods. They paid \$455 million for the \$380 million company.
- **ConAgra** sold two Mexican food brands, *Fernando's* and *El Extremo*, to **Foster Farms**.
- **Hormel** and **Herdez Del Fuerte** formed a 50/50 joint venture, **MegaMex Foods**. It will market brands like *Chi-Chi's* and *La Victoria* in the US.

Transaction News

Continued.

- Coconut water – the clear potassium-rich liquid in green coconuts – is all the rage. **PepsiCo** bought **Amacoco**, the #1 producer in Brazil. **Coca-Cola** got in the act by buying a small stake in **ZICO Beverages**, an early stage maker in California.
- **Church & Dwight** sold seven OTC brands to **Insight Pharmaceuticals**, a company owned by **Swander Pace Capital** and **Allied Capital**.
- **Lance** is buying **Stella D'oro**, the specialty cookie business, from **Brynwood Partners**. Moving production to an Ohio bakery will end ugly labor protests at the original Bronx plant.
- **Procter & Gamble** bought **Zirb**, the specialty men's skincare brand, from **Shiseido**. It continues to demonstrate their interest in male consumers.
- **Catterton Partners** bought **StriVectin** from **Klein-Becke**. The wrinkle fighter will become part of **Chrysallis**, a portfolio company.
- As we go to press, **Suntory** is trying to buy **Orangina** from **Blackstone** and **Lion Capital**. The price could exceed \$3 billion.
- **PBM Products**, the maker of private label baby foods and the **Bright Beginnings** brand, is reportedly for sale.

Court Fights & Slap Fights

Touch gloves and come out swinging.

- **Nestle** filed suit against **Muscle Milk**, saying the product contains no milk. Just wait until they find out it doesn't contain muscle either.
- The NLRB ordered **Stella D'Oro** to reinstate 134 striking workers, and pay back wages to May. Since the bakery is now being closed, workers won the battle but lost the war.
- **Tobacco firms** filed a free speech suit against a new federal law governing cigarette marketing. Among other things, it requires a warning label across the top half of the front and back of packaging. I'm no artist, but that can't be good.
- The NAD, which regulates advertising spats, sided with **SC Johnson** after a **P&G** challenge. The earth-shaking issue: which odor eliminator sinks deeper into carpet, *Glade* or *Febreze*?
- **Alberto Culver** sued **P&G**, claiming they paid too much when they bought *Noxzema* last year. They say 20% of finished goods were defective.
- **Senator Bernie Sanders** of Vermont asked the feds to look into **Dean Foods** and their strength in the dairy market. He thinks it keeps farmers from getting fair prices, apparently rejecting the whole "supply and demand" concept.
- **Nestlé** recalled 300,000 cases of *Tollhouse* cookie dough after an E. coli outbreak.
- The other product recall involved **General Mills** and some *Nature Valley* granola nut clusters. There were salmonella fears, but no illnesses.

Pink Slips & Hard Times

The pace of cuts has definitely slowed.

- **Kimberly-Clark** is cutting 1,600 salaried jobs, or 3% of the global workforce. They want to save \$150 million, with half the cuts in the US.
- **Avon** is cutting 1,200 jobs, or 3% of their total. The move should save \$200 million annually.
- **Diageo** is cutting 900 jobs as they close a 200-year-old distillery and other Scottish operations.

People News

All the moves that are fit to print.

CEOs and Presidents

- **Bob Gamgort** joined **Pinnacle Foods** as CEO. He was at **Mars**, Major League Baseball, and **Kraft**.
- **Matt Mannelly** joined **Prestige Brands** (*Comet, Cutex, Chloraseptic, etc.*) as CEO. He was at Cannondale, Paxar, the USOC, **Nike**, **Sara Lee**, and **Quaker Oats**.
- **Jim Barch** is now CEO of **Healthy Directions**, a direct marketer of health products and nutritional supplements. He was at **Home Care Industries**, with CPG roots that include **Scott Paper**, **Church & Dwight**, and **P&G**.
- **Stella David** joined **William Grant & Sons**, a drinks maker and distributor, as CEO. She was the CMO at **Bacardi**.
- **Kay Napier** joined **Arbonne**, a direct seller of skincare products, as CEO. She was at McDonald's after a long career at **P&G**.
- **Chuck Maniscalco** is the new CEO of **Seventh Generation**, the maker of environmentally safe household products. Most recently he ran the Quaker Tropicana Gatorade unit of **PepsiCo**.
- **Tony Vernon** joined **Kraft** as president of their North American business. He was most recently at Ripplewood Holdings, but he earned his CPG chops during more than 20 years at **J&J**.
- **Gary Cofer** joined dunnhumby USA, the shopper analytics firm, to run their global CPG practice. He was at **P&G**. He succeeds **Matt Nitzberg**, who is developing the firm's new practice with non-grocery manufacturers.

Of course, someone had to spoil the party with an internal move:

- **Melanie Healey** and **Steve Bishop** are swapping jobs at **P&G**. She will run North America; he will run global feminine care.

Sales and Marketing

- **Jaime Cohen-Szulc** joined Levi Strauss as CMO. He was at **Kodak**, **SCJ**, and **P&G**.
- **Kris Sirchio** will join **Brown-Forman** as CMO. He was at Syngenta and **P&G**.
- **Annie Young-Scrivner** joined **Starbucks** as global CMO. She replaces **Michelle Gass**, who was promoted to president of *Seattle's Best Coffee*.
- **Rick Gomez** joined **MillerCoors** as VP of *Coors* and *Coors Light*. He was at **PepsiCo**.

People News

Continued.

Sales and Marketing continued

- **John Haydock** joined **Burt's Bees** as SVP of global planning and activation. He was at Crutchfield, **Cadbury**, and **Unilever**.
- **Gary Fassak** joined ARAMARK as VP of marketing for refreshment services. His CPG roots include **P&G**, **Campbell**, and **Crayola**.
- **Bobby Patton** joined **Desert Glory**, the leader in bagged on-the-vine tomatoes, as VP of marketing. He was at **Coca-Cola**.
- **Moe Alkemade** joined Walgreens as VP of private brands. He was at **Kraft** for years.
- **Manish Shrivastava** joined **Coca-Cola** as group director of shopper marketing. He was at Home Depot and **P&G**.

- **Ed Huber** rejoined **Clorox** as a sales VP on special assignment. He spent the most recent year at **Whirlpool**.

Joe Ennen joined Safeway as SVP of consumer brands. He was at **Frito-Lay**, **Kellogg**, and **General Mills**.

Don Byrd joined **Michelin** as VP of marketing for passenger tires. He was at **P&G**.

At least a few moves failed to utilize a highly-skilled executive recruiter:

- **Jill Beraud** was named CMO of **PepsiCo**'s beverage business. She was the corporate CMO.
- **PepsiCo** also named **Tom Greco** as EVP of sales for North American beverages. **Salman Amin** is now the EVP responsible for global customers and international marketing across beverages and foods.

Other Functions

- **Linda Segre** joined **Diamond Foods** as SVP of strategy and communications. She was at Google and BCG, and has won five pro golf tournaments. That's irrelevant, but cool anyway.
- **Bill Herbes** joined **B&G Foods** as EVP of operations. He was at **Cadbury**, **Pfizer**, and **Warner-Lambert**.
- **John Delpino** joined Wal-Mart in a key executive staffing role. He held a similar job at **PepsiCo** for years.
- **Tessa Hilado** joined **PepsiCo** as treasurer. She was at **Schering-Plough** and General Motors.
- **Jon McIntyre** joined **PepsiCo** as SVP of R&D for global beverages. He was at Solae, Auxeris Therapeutics, and Monsanto Protein. Just nod and act like you've heard of them.

- **Ronald Wall** joined **William Grant & Sons** as CFO for the US business. He was at **Diageo**.

■ **Shakira Barrera** joined **Coca-Cola** as part of *The Fantanas*. She will perform in *Fanta's* marketing campaign with Summer, Isabela, and Melody. I have all their albums

These internal moves failed to support the vital headhunter sector of our economy:

- **Dina Howell** was promoted to VP of global media at **P&G**. She succeeds **Bernard Glock**, who is retiring after 23 years there.
- **Guy Paglinco** was named CFO at **Russ Berrie**, removing his "interim" tag. By the way, the company will soon change its name to **Kid Brands**.

People News

Continued.

Boards of Directors

- **Nick Shreiber** joined **Campbell Soup's** board. He's the retired CEO of Tetra Pak, a maker of packaging and equipment for food products.
- **Scott O'Hara** joined the Ecolab board. He runs North America for **Heinz**.
- **Maggie Wilderotter** joined **P&G's** board. She is the CEO of Frontier Communications, a telecom firm focused on rural areas.
- **Jane Lauder** joined the **Estée Lauder** board, succeeding her father. She runs the *Origins* brand, and is Estée's granddaughter.
- **Daniel Brestle** joined the board of DineEquity (*Applebee's* and *IHOP*). He retired recently as president of **Estée Lauder**.
- **Dennis O'Brien** and **David Vermynen** joined the **TreeHouse Foods** board. O'Brien is with Gryphon Investors and was at **ConAgra**; Vermynen is president and COO of TreeHouse.
- **Ian Friendly** joined the board of Valspar. He is COO of the US retail business at **General Mills**.

Obituaries

- **Walter Dunn** died at 86. He was a sales legend at **Coca-Cola**, known for making the brand ubiquitous. Or as they say, putting a cold *Coke* "within arm's reach of desire."
- **Michael Jackson** died at 50. Some know him as the *King of Pop*, but we mourn him as the guy whose hair caught fire during a **Pepsi** ad shoot.
- **Ted Nierenberg** died at 86. He founded the *Dansk* brand of Scandinavia-inspired cookware and tableware.
- **John Barry** died at 84. As CEO of **WD-40**, he turned a space program lubricant into a staple found in 80% of American homes. As today's trivia lesson, the name comes from "water displacement, successful in attempt 40".
- **William Bristol** died at 88. He retired as the third generation of his family to lead **Bristol-Myers**, making it a leading pharma company.
- **Billy Mays** died at 50. He was the TV pitchman whose work for brands like *Orange Glo* and *OxiClean* made him a pop-culture icon.
- **Sylvia Schur** died at 92. She was a food editor whose test kitchen created products like *Clamato* and *Cran-Apple* juice.
- **Gidget** died at 15. She was the chihuahua who entered pop culture by saying, "Yo quiero Taco Bell." Somehow, her voice was male.

Marketing and Strategy

It's a good time to try something.

- **Kodak** is discontinuing *Kodachrome*, the subject of Paul Simon's 1973 song. It was the first commercially successful color film, but had shrunk to only 1% of Kodak's film sales. There is only one processor left, in Kansas.
- If you're tired of frugality, consider a **coffee that costs \$350 a pound**. What makes *Kopi Luwak* "special" is the process to get the berry off the coffee bean. Usually that is done mechanically, but in this case **wild civet cats** eat the reddest and ripest berries. What comes out the other end (so to speak) are undigested coffee beans.
- **Hershey** is discontinuing its premium-priced *Starbucks* chocolates and *Cacao Reserve* bars, as well as their online gift business. They said something about a recession.
- **Topps** signed a multi-year deal to become the exclusive maker of trading cards for Major League Baseball. **Upper Deck** can still make player cards, but without team logos.
- **Free Frog With Purchase!** A Florida man made national news after claiming to find a frog in a can of *Diet Pepsi*. FDA tests confirmed the species, if not the origin. **PepsiCo** was not amused.
- Were you wondering what happened to *Olestra*, **P&G's** much-ballyhooed fake fat? It became a very small business in the fat-free versions of *Pringles* and *Lay's*, largely due to concerns about (ahem) digestive side effects. Now it may have a big future in creating environmentally friendly paints. Who knew?
- **Unilever** signed a licensing agreement to develop frozen Asian meals using the *P.F. Chang's* brand name.
- **MGA Entertainment** is launching *Moxie Girlz*, a new doll line. It is crucial because **Mattel** will soon take over MGA's main brand, *Bratz*, after a four-year legal battle. MGA says the dolls are inspired by the recession, which may mean they cut their own hair and sew their own clothes.

Free Thoughts

Ponderings of particularly peculiar pieces.

- Is it just me, or is it a little disturbing that the **big tobacco companies** are in the Barclays back-to-school consumer conference?
- The **good news**: bonuses are near record levels on Wall Street this year. The **bad news**: if you are reading this, you don't work on Wall Street.
- *BusinessWeek* named the 50 best places to start a career. CPG honorees include **General Mills** (#12), **Philip Morris USA** (#17), **Nestle USA** (#25), and **J&J** (#41). But seriously, how good can the list be if it does not include **P&G**?
- *Forbes* ranked the world's 100 most powerful women. They include five CEOs from the CPG world: **Indra Nooyi** of **PepsiCo** (#3), **Irene Rosenfeld** of **Kraft** (#6), **Andrea Jung** of **Avon** (#25), **Brenda Barnes** of **Sara Lee** (#29), and **Susan Ivey** of **Reynolds American** (#59). For perspective, Michelle Obama is #40.
- *Fortune* ranked the 100 fastest-growing public companies, based on three year results. CPG honorees include **Green Mountain Coffee** (#11), **Ralcorp** (#75), and **Treehouse Foods** (#96). Let's get more participation next year.

Free Thoughts

Continued.

- This issue's **spoilsport award** goes to the anti-meat group that sued **Kraft, Nathan's Famous, Sara Lee, and ConAgra**. They want hot dogs to carry warning labels about colorectal cancer. We wonder how they feel about apple pie.
- A second **spoilsport award** goes to an environmental group in Hawaii. They told **Kraft** to keep the *Wienermobile* out of their state, or they will skewer it for violating a ban on vehicular advertising. Whatever.
- In more **embarrassing news**, the *Wienermobile* crashed into a house near Milwaukee. And since there are actually seven *Wienermobiles* on the road, we may all be in mortal danger.
- If cigarettes are the ultimate **recession-proof** product (score one for addiction!), disposable training pants like *Pull-Ups* may be at the opposite extreme. Many parents are apparently accepting a few "accidents" to save the money.
- I have two words to prove that America eats differently than you and I do: *Spam Singles*. The new product from **Hormel** is a big success.
- This issue's ethics sermon involves **Ed Backus**, who admitted he stole \$1.8 million from **PepsiCo**. As VP of business development, he and co-conspirators created bogus invoices. He will be sentenced in November.
- Another ethics sermon involves Tomatogate. **Jeff Beasley**, former VP of tomato processor **SK Foods**, pleaded guilty to conspiracy for bribing purchasing managers to buy at inflated prices. Bribees from **Kraft, Frito-Lay, and B&G Foods** have admitted their guilt, with **Robert Watson** of Kraft going to jail for two years (and repaying \$1.8 million).
- And you think your workplace is tough! **Freddie Love** (an ironic name) was charged with killing a co-worker at a **Pillsbury** plant in Indiana. Love chased the guy to the plant, crashed his car through the gate, smashed into the victim's van, and shot him multiple times. Allegedly.

Quarterly Earnings

The voting last issue indicates many of you like this little section.

Company	Earnings	Sales	Comments/Explanation
3M	- 17%	- 15%	Above expectations, with weak demand but good savings.
Adidas	- 93%	- 3%	Hurt by demand, weak Russian ruble, and marketing costs.
Alberto Culver	+ 32%	- 4%	Cost cutting offset the impact of the stronger dollar.
Altria	+ 9%	+ 33%	Helped by cutting costs and adding UST smokeless brands.
American Italian Pasta	\$20M prof	- 7%	Retail sales grew 3%, but B2B sales dropped 29%.
Anheuser-Busch InBev	+ 28%	- 9%	Above expectations with cost cutting, but outlook is cautious.
Avon	- 65%	- 10%	Above estimates but hurt by restructuring, currency, demand.
B&G Foods	+ 54%	+ 3%	Pricing more than covered higher costs.
Bare Escentuals	- 20%	- 4%	Demand slowed because of that darned recession.
Black & Decker	- 60%	- 27%	Power tool sales reflect the consumer spending slump.
Boston Beer	+ 42%	+ 1%	Without last year's recall costs, profit declined about 15%.
Brown-Forman	+ 38%	- 7%	Better than expected as cost cuts offset weak demand.
Cadbury (6 months)	Tripled	+ 14%	They are making big progress in fixing margins.
Callaway Golf	- 82%	- 17%	If you're not Tiger Woods, the golf business has been bad.
Campbell Soup	- 22%	- 11%	Excluding one-timers, profit grew 11% to beat expectations.
Carlsberg	+ 37%	Flat	Higher prices + lowered costs = strong results.
Chattem	+ 17%	+ 4%	Profit beat expectations, but international sales were weak.
Clorox	+ 8%	Flat	They project volume growth in the new fiscal year.
Coca-Cola	+ 43%	- 9%	Above estimates, as China/India offset weak US/Europe.
Coca-Cola Enterprises	\$0.3B prof	- 1%	Above expectations due to price increases and cost cuts.
Colgate-Palmolive	+ 14%	- 6%	Helped by pricing, but there are concerns about sales trends.
ConAgra	- 13%	+ 8%	Demand is strong, but year ago helped by trading operations.
Constellation Brands	- 85%	- 15%	Without one-timers, profit dropped 3% and revenue grew 1%.
Cott	\$34M prof	- 6%	North American operations drove the profit improvement.
Danone (6 months)	+ 6%	- 2%	Raw materials and gain from selling the drinks business helped.
Dean Foods	+ 31%	- 14%	Cost-cutting helped by lower energy and raw milk prices.
Del Monte Foods	\$59M prof	+ 12%	They beat expectations on higher prices and lower costs.
Diageo (12 months)	+ 7%	+ 15%	They predicted slower growth in the year ahead.
Dr Pepper Snapple	+ 46%	- 4%	They beat expectations by gaining share while cutting costs.
Elizabeth Arden	\$4M loss	- 10%	Better than expected, but hurt by exchange rates and demand.
Estee Lauder	\$18M loss	- 16%	Hurt by restructuring, exchange rates, and slow demand.
Flowers Foods	+ 27%	+ 14%	Helped by pricing, mix, and an acquisition.
Fortune Brands	- 27%	- 17%	Home products are really weak, and golf is not much better.
Fosters (12 months)	Quadrupled	+ 3%	Beer business was strong, but wine unit is a big drag.
General Mills	Doubled	+ 5%	Above estimates. Without one-timers, profit grew 60%.
Green Mountain Coffee	Doubled	+ 61%	Wall Street expected even more sales growth. Go figure.
Hain Celestial	- 81%	- 6%	Hurt by one-timers for severance and other items.
Hasbro	+ 5%	+ 1%	Above expectations due to summer movie tie-ins.
Heinz	- 7%	- 4%	Hurt by stronger dollar, but they beat expectations.
Hershey	+ 72%	+ 6%	Helped by higher prices and a new advertising effort.
Hormel	+ 49%	- 6%	Costs fell; brands like <i>Spam</i> and <i>Hormel Chili</i> did very well.
Jarden	+ 4%	- 7%	Above expectations, but hurt by recession.
Kellogg	+ 13%	- 3%	Beat expectations, but hurt by currency exchange rates.
Kimberly-Clark	- 3%	- 6%	Above expectations due to pricing and lower costs.
Kraft	+ 11%	- 6%	Above expectations due to pricing and raw material costs.
Lance	Doubled	+ 11%	Helped by Archway acquisition and higher pricing.
LeapFrog	\$12M loss	- 28%	Demand fell and retailers worked off their inventories.
Lorillard	+ 32%	+ 42%	Above expectations with higher pricing and higher volume.
Mattel	- 19%	+ 82%	Above expectations due to cost and inventory cuts.
McCormick	- 5%	- 1%	Consumer sales grew 4%, but B2B sales dropped 7%.
MillerCoors	+ 75%	+ 2%	Without one-timers, profit grew 16%. <i>Miller Lite</i> still weak.
Molson Coors	Doubled	- 55%	Sales change reflects creation of MillerCoors joint venture.
Nestle (6 months)	- 2%	- 2%	Above expectations, but hurt by demand and divestitures.
Nike	- 30%	- 7%	Without one-timers, profit rose 5%. Footwear was strong.
Pepsi Bottling Group	+ 21%	- 7%	Without a gain for settling a tax audit, profit dropped 1%.
PepsiCo	- 2%	- 3%	<i>Gatorade</i> was weak, as was North America in general.
Pernod Ricard (12 mos.)	+ 13%	+ 9%	Better than expected, but <i>Absolut</i> is concerning.
Philip Morris Intern'l	- 9%	- 9%	Hurt by currency exchange, but above expectations.
Pilgrim's Pride	\$53M prof	- 20%	Helped by chicken prices that stabilized.
Procter & Gamble	- 18%	- 11%	They suffered from larger price gaps versus budget brands.
Ralcorp	+ 63%	+ 51%	Numbers were inflated by addition of <i>Post</i> cereals.
Revlon	Breakeven	- 12%	Hurt by restructuring charges and decline on sales of <i>Revlon</i> and <i>Almay</i> .
Reynolds American	+ 4%	- 4%, driv	Above expectations, driven by growth of their focus brands.
San Miguel	+++	+ 6%	Philippines' #1 food/beverage company helped by asset sales.
Sanderson Farms	\$43M prof	+ 8%	Much better due to lower feed costs and higher poultry prices.
Sanfilippo (Fisher Nuts)	+ 48%	+ 2%	Helped by cost savings and 10% volume growth.
Sara Lee	\$14M loss	- 10%	Earnings were flat without divestitures, but forecast lowered.
Smart Balance	\$1M prof	+ 21%	Helped by market share growth and higher pricing.
Smithfield	\$108M loss	- 14%	Hurt by feed costs and swine flu's impact on demand.
Smucker	Doubled	+ 58%	Helped by acquiring <i>Folgers</i> and the eat-at-home trend.
Treehouse Foods	Doubled	+ 1%	Retail sales grew 6%, but foodservice dropped 2%.
Tyson	+++	- 3%	Beef and chicken improved, but pork demand was weak.
Unilever	- 17%	+ 1%	All regions grew volume, but marketing spending rose.
Vector Group (Liggett)	\$8M loss	+ 45%	Without one-time charges, profit grew 10%.