



The Consumer

BizBuzz

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

Transaction News

Let's all get out there and buy something.

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☐ **Coca-Cola** bought **Brisa**, a Colombian bottled water company. The \$92 million buy was made with **Coca-Cola FEMSA**, the company's biggest bottler in Latin America.

☐ **Hershey** bought the Asian business of **Barry Callebaut**, another chocolate maker. The main brand is *Van Houten*.

☐ **P&G** has been shedding non-strategic brands. The latest is *Infusium 23*, a \$40 million hair care business, which sold to **Helen of Troy**.

☐ **Anheuser-Busch InBev** is selling **Labatt USA** to **KPS Capital**, a private equity firm. KPS also bought **High Falls Brewing**, maker of *Genesee*.

☐ Meanwhile, **KPS** also bought the Irish and UK operations of **Waterford Wedgwood**, which ~~went bankrupt~~ was placed in administration. They are trying to buy the rest of the business.

☐ **Ralcorp** bought **Harvest Manor Farms**, a \$180 million maker of snack nuts. The main brand is *Hoody's*.

☐ **Castanea Partners** bought **Urban Decay**, a color cosmetics company.

☐ **Sara Lee** may sell their European household and personal care business. Goldman Sachs handles, and it focuses Sara Lee on food.

☐ **North Castle Partners** founded a company called **Mineral Fusion**. It is a spin-off from **gloProfessional**, focused on natural products in cosmetics, beauty, and personal care.

☐ **Clarion Capital** acquired **Lenox Group** out of Chapter 11. **Peter Cameron**, the former CEO of **Waterford Wedgwood**, now leads the *Lenox*, *Dansk*, *Gorham*, and *Department 56* brands.

☐ **Oneida** licensed their consumer business to **Robinson Home Products**. Oneida will focus instead on foodservice, e-commerce, and international.

☐ China scuttled **Coca-Cola's** planned \$2.4 billion acquisition of **China Huiyuan Juice Group**. It was viewed as anti-competitive... by a country that allows only one political party.

☐ **JBS** called off plans to buy **National Beef** for \$560 million. Regulators tried to block the deal, so JBS will just pay a \$25 million breakup fee.

Court Fights & Slap Fights

The recession's only bright spot: fewer lawyers.

☐ **Coca-Cola** and **Nestle** settled with the attorneys general of 27 states. When they market *Enviga* green tea beverage, which is said to burn calories, they must explain that diet and exercise are needed for weight loss.

☐ **Callaway** and **Titleist** (an **Acushnet** unit) are wailing on each other about golf ball patents. Last year the former sued the latter. This year the latter sued the former. And now the former sued the latter again. Follow?

☐ **Philip Morris** lost the first of 8,000 lawsuits filed in Florida. A jury awarded \$8 million after deciding a smoker's lung cancer death was caused by nicotine addiction.

☐ Supplement maker **Mannatech** agreed to pay \$6 million for health claims the Texas attorney general viewed as false. The company's founder will pay another \$1 million himself, and he cannot work there for five years. But – repeat after us – he denies any wrongdoing.

Pink Slips & Hard Times

Seriously, we may start listing companies that are not cutting back.

Goodyear is cutting 5,000 jobs, on top of the 4,000 they cut last year.

Pilgrim's Pride will cut 3,000 jobs as they close three plants. If you prefer to look on the bright side, they will also cut 10% fewer chickens.

Smithfield Foods is cutting 1,800 jobs as they close six of their 40 plants. They are reducing overall production to improve margins.

Diageo is cutting 150 jobs in North America. Among other things, they will integrate their beer and wine businesses.

Constellation Brands is cutting about 400 jobs, or 5% of their total. It is due to weakening sales.

Hershey cut 260 jobs as they closed a plant in Reading. Brands like *York Peppermint Patties* are moving to Mexico.

In related news, **working women will soon pass working men**. Partly it is due to advances, but also because men have suffered 82% of the recession's job losses.

Acushnet will close their 50-year-old *Footjoy* factory in Massachusetts. All their golf shoes will now be made in China. Saddest of all, it was the last shoe factory in Brockton, which once made half of all US shoes.

Peanut Corporation of America filed Chapter 7 and will liquidate. That just proves it is bad business to kill people with salmonella.

Spectrum Brands filed Chapter 11. They have strong brands like *Rayovac* and *Remington*, but acquisitions added too much debt.

Muzak, the maker of annoying elevator music, filed Chapter 11. Thank goodness.

People News

Check your brackets.

CEOs and Presidents

Matt Shattock joined **Beam Global** as CEO of the wine and spirits company. He was a senior executive at **Cadbury** and **Unilever**.

Brian Cornell joined Wal-Mart as CEO of Sam's Club. His CPG roots include **PepsiCo**, **Tropicana**, **Seagram**, and **Gallo**.

John Gilbert joined **Vermont Teddy Bear**, the direct-to-consumer company, as CEO. He was at TJX, Dunkin' Donuts, and **PepsiCo**.

Gerry Lopez joined AMC Entertainment, the #2 theater chain, as CEO. He was at **Starbucks**, **Mission Foods**, **PepsiCo**, and **P&G**.

Peter Foyston joined **Campbell Soup** as GM of China. He was at **Chiquita** and **P&G**.

Several internal moves failed to utilize a highly-skilled executive recruiter:

Fabrizio Freda was named CEO at **Estee Lauder**. He was the COO, coming from **P&G**.

Jerry Fowden was promoted to CEO at **Cott**. He ran the international business.

Grant Reid is now president of global chocolate at **Mars**. He ran the drinks business.

Joth Ricci was promoted to CEO at **Jones Soda**. He was the COO.

Alan Ennis was named president of international at **Revlon**. He is also the CFO.

Mark McCallum was promoted to COO at **Brown-Forman**, up from CMO. He replaced **Jim Bareuther**, who will retire next year.

People News

Continued.

Sales and Marketing

- Jon Wilson joined **Kimberly-Clark** as VP of corporate innovation. He was at **LifeSpring Nutrition** and **Kellogg**.
- Chris Scinto joined **Avon** as a VP in the North American business. He was at **Godiva**.
- Lisa Henriksen joined **Giant Eagle** as VP of their brands and new business. She was at **Del Monte**, **Clorox**, and **General Mills**.
- Lauri Kien Kotcher joined **Godiva** as CMO. She was at **Lehman**, **Pfizer**, and **McKinsey**.
- Sheryl Adkins-Green joined **Mary Kay** as VP of brand development. She was at **Alberto Culver**, **Cadbury Schweppes**, and **Kraft**.
- Kevin Fennessey joined **Southern Wine & Spirits**, the big distributor, to run marketing. He was at **Absolut**, **Pernod Ricard**, and **Seagram**.
- Sally Robling joined **Pinnacle Foods** as CMO. She was at **American Standard**, **Campbell Soup**, and **Kraft**.
- Gordon Robertson joined **Sun World**, the fresh produce company, as VP of sales and marketing. He was at **Campbell Soup**.

Other Functions

- Paul Telenson joined **Pierre Foods** as SVP of HR. He was at **Pinnacle Foods**, **International Home Foods**, and **Nabisco**.
- Pat Koley joined **Fortune Brands** (*Jim Beam*, *Titleist*, *Moen*, etc.) as SVP of strategy and corporate development. He was at **ConAgra**.
- Alan Meyers joined **Revlon** as chief science officer. He was at **L'Oreal**, **Elizabeth Arden**, and **Avon**.
- Scott Lamensdorf joined **Synovate**, a research firm, as VP of retail and shopper insights. He was at **J&J**, **Philips Lighting**, and **Nabisco**.

Boards of Directors

- Rick Lenny and Joie Gregor joined **ConAgra's** board. He was the CEO of **Hershey**; she was in charge of senior-level appointments for the Bush administration.
- Alan Ennis joined **Revlon's** board. He is their CFO and president of international.
- John Hamlin and Ellen Brothers joined the **Bare Escentuals** board. He is part of a private equity firm; she was president of *American Girl* at **Mattel**.
- Julian Chugg joined the VF board. She is president of Pillsbury USA at **General Mills**.
- John Lundgren joined the **Callaway Golf** board. He is the CEO of **Stanley Works**, and his 3 handicap says he is a really good golfer.
- Shona Brown joined **PepsiCo's** board. You can look it up, but I believe she is at **Google**.
- Steve Altschuler and Elliott Sigal joined the **Mead Johnson** board. Both are doctors.
- Robert Thurber joined **Tyson's** board. He retired from **Sysco** as the VP of purchasing.
- Mike Weinstein joined the **Dr Pepper Snapple** board. He ran *Snapple* under prior owners.
- Rhonda Jordan joined the **Colfax** board. We aren't normally interested in pumps and valves, but she is **Kraft's** president of cheese and dairy.
- Kerry Clark joined the **General Mills** board. He is the CEO of **Cardinal Health**, but he earned his CPG chops at **P&G**.
- James Johnson joined the **Cintas** board. He retired last year as chief legal counsel at **P&G**.
- Kerri Anderson joined **Chiquita's** board. She was CEO of **Wendy's**.

People News

Continued.

Obituaries

┌ **Betty James** died at 90. She co-founded and ran **James Industries**, creator of the iconic *Slinky* toy. She is in that industry's Hall of Fame.

┌ **Hans Beck** died at 79. He created the *Playmobil* toy figures, with 2.2 billion sold since 1974.

┌ **Howard Zieff** died at 81. Among other things, he directed *Alka-Seltzer's* "that's a spicy meatball" TV ad.

┌ **Steve Bernard** died at 61. He founded **Cape Cod Potato Chips**, rekindling our love of kettle chips. He sold the firm to **Anheuser-Busch**, bought it back, and later sold it to **Lance Foods**.

Marketing and Strategy

This is a good time to try something!

┌ Retailers are **testy about prices**, which rose when commodity costs were sky-high. They want to see rollbacks, but would lower prices really get passed through?

┌ **P&G** and **Dolce & Gabbana** joined forces to launch cosmetics in department stores. As our favorite *WSJ* reporter wrote, "Culturally, P&G and Dolce & Gabbana have little in common besides the ampersand."

┌ **Carlsberg** will market *Corona* in nine more Eastern Europe markets. They already sell **Grupo Modelo's** brand in several countries.

┌ In a move we thought we would never see, **Starbucks** is launching instant coffee. They call it soluble coffee, but if it walks like a duck and quacks like a duck

┌ Meanwhile, **Starbucks** and **Kraft** are launching packaged coffee in France and Germany. Starbucks has 48 cafes in France, or about as many as I can see from my window.

┌ Speaking of coffee, **Green Mountain Coffee Roasters** launched *revv*, a brew with 27% more caffeine. Now we're talking!

┌ **PepsiCo** is introducing *Pepsi Natural*, which contains natural caramel, kola nut, and all-natural sugar. *Pepsi Throwback* and *Mountain Dew Throwback* are also limited-release sodas that feature natural sugar.

┌ Speaking of sugar, the average person consumes **44 pounds a year**. That's a pound every eight days. And we wonder why obesity is a problem.

┌ But if you have **4,889 calories to spare**, go see the West Michigan Whitecaps of baseball's minor leagues. Their burger has 1.67 pounds of beef ... topped with cheese, lettuce, tomato, salsa, sour cream, chili, and *Fritos*.

┌ **Coca-Cola** paid big money for *Vitamin Water* to be the **official hydration product** of the NCAA tournament. Unfortunately, six flavors contain banned ingredients like taurine and guarana seed. But you can drink 10 bottles before triggering a positive urine test.

┌ Speaking of the NCAA basketball tournament, did you know there's an **official ladder**? It is from **Werner**, and it will help the champs cut down the nets.

┌ **Hershey** is discontinuing the *Joseph Schmidt* brand of premium chocolate. They bought it and *Scharffen Berger* for \$47 million in 2005.

┌ We give our **"You'll Never Work In This Town Again"** award to **Arnell Group**. They did the ballyhooed redesign of *Tropicana* packaging for **PepsiCo**, which was scrapped because consumers hated it. Then their new *Pepsi* logo was also panned. But their branding work on *Gatorade* is the worst we've ever seen.

┌ **Kellogg** dropped **Michael Phelps** as spokesfish after the bong photo. To show they mean it, they gave 3,800 pounds of "his" cereal boxes to a San Francisco food bank. If you are not homeless, you can get one for \$29.99 on eBay.

┌ **Interstate Bakeries** (the *Wonder Bread* folks) launched *Nature's Pride* all-natural bread.

Marketing and Strategy

Continued.

- ┌ **Jones Soda** has launched *Jones GABA* in four flavors. It is the only US beverage with the GABA ingredient, which makes you more relaxed and focused. Of course, you probably know it better as **gamma-aminobutyric acid**.
- ┌ **PepsiCo** signed a distribution deal for *Rockstar*. It is the #3 brand in energy drinks.
- ┌ **General Mills** will stop selling *Pillsbury* frozen dinner rolls at retail. In a related move, they sold four frozen dough plants to **Pennant Foods**.
- ┌ **Sara Lee** and **Clorox** are partnering in six Latin American countries. Their goal is to launch new air freshener products.
- ┌ **Philip Morris International** is forming a JV with **Swedish Match** to launch smokeless tobacco around the world. Recall that former parent **Altria** bought **UST** for the North American market.
- ┌ **You can't make this stuff up**. The hottest item at Toy Fair was a doll called *Smash-Me Bernie*. It features a smiling Bernard Madoff in a red devil suit, along with a golden hammer for venting your anger on him.
- ┌ A **West Virginia legislator** is trying to ban *Barbie*. He says the doll "influences girls to place an undue importance on physical beauty." Except for those who actually measure 39-21-33.

Free Thoughts

*A great value,
even at twice the price.*

- ┌ This issue's first "**All-Name**" nominee is the two-time winner of a *Golf World* contest for amateur golf course architects. His name is Bo **Links**.
- ┌ Our second "**All-Name**" nominee began each Northern Iowa basketball game on the bench. His name is Lucas **O'Rear**.
- ┌ Our "**Low Expectations**" award goes to **Carlos Herrera**, an economic forecaster at **Coca-Cola**. According to him, "If you show up at the end of 2009, you're doing well."
- ┌ Our "**Not So Fast**" award goes to **Dave Gibbons**, chairman of beverage maker **Cott**. As he said in an earnings report, "We are glad to put 2008 behind us." Excuse us, but 2009 may not be a picnic.
- ┌ *Esquire* magazine named **Kenyatte Nelson** as the "best dressed real man" in America. The shocker: he is a brand manager at **P&G**, which is not a bastion of fashion. Trust us.
- ┌ *Corporate Responsibility Officer* magazine has ranked the **100 Best Corporate Citizens**. The top 20 includes CPG companies like **General Mills** (#2), **Mattel** (#7) **Kimberly-Clark** (#9), **P&G** (#14), and **Avon** (#18). Our big surprise was seeing a tobacco company, **Reynolds American**, on the list (at #62).
- ┌ We are admitting Howard Richman to the **Ethics Hall Of Shame**. The former Biopure executive faced federal securities charges, so he instructed his lawyers to tell the judge he has colon cancer. Then he tried to prove it by impersonating his doctor in a conference call.
- ┌ As a **public service announcement**, you must buy new golf clubs this year. USGA rules ban U-shaped grooves on clubs made after 2009, so shots will have less spin. And spin, of course, is what makes golf so darn easy. The good news: amateurs can continue using "old" grooves until 2024.
- ┌ A study of athletes says it takes **10 years** of practice, or about **10,000 repetitions**, to develop world-class skills. Which means I am about to get **really good** at this whole recruiting thing.
- ┌ **Hormel Foods** has been added to the S&P 500, replacing American Capital Strategies. I wonder how ACS feels about losing out to *Spam*.
- ┌ As a sign of the times, a European opinion poll ranked only two groups **lower than bankers** – prostitutes and convicted felons. Lawyers and headhunters were pleased to avoid the list.

Quarterly Earnings

It's getting harder and harder to make a living.

Company	Earnings	Sales	Comments/Explanation
Adidas	+ 157%	+ 6%	Helped by lower taxes and marketing; warned about future.
American Italian Pasta	+++	+ 53%	Way above expectations, with retail and foodservice strong.
Anheuser-Busch InBev	- 95%	+ 35%	Even without one-timers, profit fell 40%. Heads will roll.
Avon	+ 80%	- 9%	Restructuring is working, but North America is a challenge.
Bare Escentuals	- 9%	+ 2%	They beat expectations, but prestige cosmetics are tough now.
BAT (12 months)	+ 15%	+ 21%	Helped by acquiring companies in Turkey and Denmark.
Boston Beer	- 47%	+ 13%	Hurt by a one-timer and higher costs.
Brown-Forman	+ 6%	- 11%	Hurt by dollar & slowing demand; helped by one-time gains.
Cadbury (12 months)	- 10%	+ 15%	They shed drinks, but profit doubled in continuing operations.
Campbell Soup	- 15%	- 4%	Retailers reduced inventories in the heart of soup season.
Carlsberg	Tripled	+ 34%	They raised revenue and profit targets for the year.
Chiquita	\$412M loss	Flat	Hurt by higher costs and weak <i>Fresh Express</i> brand.
Clorox	- 7%	+ 3%	Better than expected, with <i>Burt's Bees</i> leading the way.
Coca-Cola	- 18%	- 3%	Better than expected. Without one-timers, earnings rose 10%.
Coca-Cola Enterprises	\$1.5B loss	- 1%	They took a \$2 billion charge to write down intangible assets.
ConAgra	- 37%	+ 6%	Hurt by sale of business, but they beat estimates.
Cott	\$13M loss	- 10%	They gained share in North America, but softer elsewhere.
Danone (12 months)	- 69%	+ 19%	Helped by selling cookie business; hurt by Q4 weakness.
Dean Foods	Doubled	- 5%	Helped by lower costs for raw dairy and energy.
Del Monte Foods	+ 14%	+ 8%	Price increases and new products offset ingredient costs.
Diageo (6 months)	+ 16%	+ 18%	Forecast cut. Turns out alcohol is <u>not</u> recession-proof.
Diamond Foods	Doubled	+ 13%	Apparently, people still snack in a recession.
Dr Pepper Snapple	\$621M loss	- 1%	Hurt by one-timers and <i>Snapple's</i> weakness.
Elizabeth Arden	- 59%	- 12%	Hurt by stronger dollar, weaker demand, and one-timers.
Estee Lauder	- 30%	- 12%	Hurt by stronger dollar and weaker consumer spending.
Flowers Foods	+ 50%	+ 31%	Helped by higher prices, key brands, and acquisitions.
Foster's Group (6 mos.)	+ 3%	+ 2%	They will restructure the wine business after failing to sell it.
Fresh Del Monte	- 33%	- 2%	Hurt by lower prices and higher costs for obtaining bananas.
General Mills	- 33%	+ 4%	Hurt by rising costs, stronger dollar, and weaker demand.
Goodyear	\$330M loss	- 20%	They are slashing costs and capacity due to weak demand.
Hain Celestial	- 48%	+ 14%	Hurt by retail inventories and grain costs.
Hansen Natural	\$23M loss	+ 3%	Without one-timers to change distributors, profit grew 76%.
Hasbro	- 30%	- 5%	Yes, Virginia, there was no Santa Claus in 2008.
Heineken (12 months)	- 74%	+ 27%	Acquiring half of Scottish & Newcastle has been painful.
Heinz	+ 11%	- 8%	Above expectations due to pricing, hedging, and sales growth.
Hormel	- 8%	+ 4%	<i>Spam's</i> strength did not overcome costs of feed and fuel.
Kellogg	+ 2%	+ 5%	Profit growth was depressed by peanut-related recall.
Kraft	- 72%	+ 6%	Hurt by restructuring, currency, and retailer inventories.
L'Oreal (12 months)	- 27%	+ 3%	Profit was flat without one-timers. US sales were weak.
Lance	+++	+ 16%	Helped by pricing, new products, and acquisitions.
LeapFrog	\$44M loss	- 24%	As mentioned, there was no Christmas last year.
Lorillard	+ 21%	+ 14%	Above expectations due to higher prices and lower costs.
McCormick	+ 12%	- 1%	Helped by eat-at-home trend and <i>Lawry's</i> acquisition.
MillerCoors	+ 17%	+ 3%	Pricing and cost savings helped in a softer market.
Molson Coors	- 44%	- 49%	Last year's numbers included MillerCoors.
Nestle (12 months)	+ 69%	+ 2%	Profit growth came from selling an eyecare business.
Nike	- 47%	- 2%	Profit decline driven by writedown of <i>Umbra</i> acquisition.
Peet's Coffee & Tea	+ 21%	+ 12%	Above expectations due to productivity investments.
Pepsi Bottling Group	\$0.3B loss	- 6%	Excluding one-timers, results topped expectations.
PepsiCo	- 43%	+ 3%	Without restructuring charges, profit rose 10%.
Philip Morris Int'l	- 8%	+ 2%	The stronger dollar hurt more than expected.
Prestige Brands	- 5%	Flat	OTC products grew, but household and personal care did not.
Ralcorp	+ 54%	+ 49%	Helped by pricing and the acquisition of <i>Post</i> cereals.
Revlon	- 72%	- 10%	Hurt by a stronger dollar and a weaker <i>Almay</i> .
Reynolds American	- 13%	- 2%	Hurt by declining industry and paring of low-growth brands.
Sanderson Farms	\$7M loss	+ 7%	Loss was less than expected. Foodservice was weak; retail OK.
Sara Lee	\$ 17M loss	- 2%	They had a \$107 million goodwill writedown.
Smart Balance	\$3M loss	+ 29%	Loss was smaller as they raised prices and cut expenses.
Smithfield Foods	\$103M loss	+ 7%	Packaged meats did well, but hog financials hurt results.
Smucker	+ 84%	+ 78%	Acquiring <i>Folgers</i> has been a big win so far.
Tasty Baking	\$5M loss	+ 11%	Pension costs hurt, as did ingredients and packaging.
Unilever	+ 58%	+ 3%	Stock declined when they scrapped future guidance.