



## The Consumer BizBuzz

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

### Transaction News

*As they say, beauty is in the eye of the beholder.*

#### The Consumer BizBuzz

is compiled and published by

Dave Hardie of

Herbert Mines Associates

Executive Search Consultants

212 355-0909

dhardie@herbertmines.com

- Let's start by resolving last issue's cliffhangers. **Kirin** and **Suntory** scuttled seven months of merger talks, blaming control issues over what would have been the first Japanese mega-brewery. Also, **Diamond Foods** paid \$615 million for **Kettle Foods**, owned by **Lion Capital**.
- **Coca-Cola** is buying the North American business of **Coca-Cola Enterprises**, their #1 bottler, in a \$13 billion deal. It reverses a decision 24 years ago to spin off bottling operations. If all this sounds familiar, it is essentially what **PepsiCo** did in 2009.
- **Spectrum Brands** is acquiring **Russell Hobbs**, the \$800 million maker of *Toastermaster* and *Black & Decker* small appliances. **Harbinger Capital** will end up owning 64% of the combined company.
- **Perrigo**, the maker of private label health-care and nutrition products, is paying \$808 million for **PBM Holdings**. They make private label infant formula.
- **Avon** is buying **Liz Earle Beauty**, a British skincare company known for their botanical ingredients and natural positioning.
- **Philip Morris International** is forming a joint venture with **Fortune Tobacco**, the market leader in the Philippines. Combined, they will control 90% of the market there.
- **Fortune Brands** sold their *Cobra* golf brand to **Puma**. This will focus their **Acushnet** unit on *Titleist* and *Footjoy*.
- Two other iconic brands also changed hands. **Smucker** sold *Hungry Jack* potato products to **Basic American Foods**, but they kept the brand for pancakes and syrup. Meanwhile, **Church & Dwight** sold *Brillo* to **Armaly Brands**, a sponge company.
- **North Castle Partners** bought **Flatout**. They make a flatbread that is, in fact, the greatest thing since sliced bread.
- In this issue's cliffhanger, **Reed's** hopes to buy **Jones Soda**. Barring another bidder, the price is only \$10 million because of issues at the maker of cult flavors like mashed potato. Just a thought, but perhaps having flavors like mashed potato is the issue.

## Red Tape and Court Fights

*Why must everything be so hard?*

- **Cigarette packaging** is under attack in the UK, where the Department of Health may require **generic graphics**. Marketers will face major creative decisions, like whether to use a white or brown background.
- In a related item, the FDA released their first new rules for **tobacco marketing**. Among other things, those companies cannot sponsor athletic or musical events.
- **Novartis** agreed to change the name of *Maalox Total Relief*, whose ingredients can cause internal bleeding. The FDA worries about confusion with regular *Maalox*, which is gentler. May we suggest the delightfully descriptive name, *Maalox Bleeding Stomach*?
- A French court convicted 12 winemakers of fraud for mislabeling inexpensive wines as Pinot Noir. **Gallo** and **Constellation** were among the hoodwinked buyers.

## People News

*All the moves that are fit to print.*

### CEOs and Presidents

- **Bridgette Heller** joined **Merck** as president of consumer healthcare. Her background includes **J&J** and **Kraft**.
- **Richard Dickson** was named president of Jones Apparel. We care because he was the general manager of *Barbie* at **Mattel**.
- **Mike Indursky** joined **Bliss World** as president. He was at **Burt's Bees**, **L'Oréal**, and **Unilever**.
- **Don Casey** joined West Wireless Health Institute as CEO. He was at **J&J** for nearly 25 years.
- **Jeff Katz** joined NexTag, a website for comparison shopping, as CEO. He was at **LeapFrog**.

- **Renee Selman** joined Catalina Marketing to run their healthcare business. She was at **J&J** for 20 years.

*A few moves failed to utilize a highly-skilled executive recruiter ... or our competitors:*

- **Unilever** named **Mike Polk** as president of their global food, home, and personal care business. His successor as president of the Americas is **Dave Lewis**.
- **LeapFrog** named **Bill Chiasson** as CEO. His successor as CFO is **Mark Etnyre**.
- **Dean Foods** named **Chris Sliva** as president of their Morningstar division.

### Sales and Marketing

- **Georgia Garinois-Melenikiotou** is joining **Estée Lauder** as SVP of corporate marketing. She was at **J&J** for 20 years.
- **Laura McCorvie** joined **Kraft** as VP of customer growth and shopper marketing. She was at **PepsiCo** and **Merck**.
- **Byron Hoover** joined **Beam Global** as VP of global whiskey. He was at an agency, **Jose Cuervo**, **Disney**, and **P&G**.

- **Chris Wilson** joined **EB Brands** to run marketing for their Excalibur subsidiary. He was at **Mattel**, **Radica Games**, **Fisher Price**, and **Nestlé**.
- **Marie Devlin** joined American Express as SVP of marketing. She was at **PepsiCo** on the *Gatorade* business.
- **Ed Rowland** joined Bolin Marketing, a consultancy and agency, to run their international business. He was at **Five Hour Energy**, **Pfizer**, **Kraft**, **PepsiCo**, and **Mars**.

## People News

*Continued.*

### Other Functions

- **Mindy Mackenzie** joined **Beam Global Spirits & Wine** as SVP of HR. She was at **Campbell Soup**, and earlier at Wal-Mart.
- **Marty Ellen** joined **Dr Pepper Snapple** as CFO. He was at **Snap-on Tools** and earlier at **Whitman**, a *Pepsi* bottler.
- **Elise Garofalo** joined **Revlon** as SVP and treasurer. She is new to the CPG world.
- **Jim Berwick** is the new CFO at **Insight Pharmaceuticals**. He was at Confluence Watersports (kayaks) and **Lenox**.
- **Debra DeMuth** joined **Campbell Soup** as VP of global nutrition. She was at McDonald's, **PepsiCo**, **Kraft**, **Mead Johnson**, **Coca-Cola**, and **Abbott Labs**.

- **Thomas Griffiths** joined **Campbell Soup** as senior executive chef. He was a dean at the Culinary Institute of America.

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

- **Hugh Johnston** was named CFO at **PepsiCo**, where his most recent role was EVP of global operations.
- **Bob Ostryniec** was named chief supply chain officer at **Heinz**. He joined in 2003.
- **Katarina Van Derham** was named to an unprecedented second term as the **St. Pauli Girl**. She got the job because of her impressive intellect.

### Boards of Directors

- **Helene Gayle** and **Joe Jimenez** joined the **Colgate-Palmolive** board. She runs a non-profit group, and he is CEO of **Novartis**.
- **Phoebe Wood** joined the board of **Coca-Cola Enterprises**, the big bottler. She retired as CFO of **Brown-Forman**.
- **Paul Polmon** joined the board of Dow Chemical. He is the CEO of **Unilever**.
- **Dawn Hudson** joined the board of P.F. Chang's, the restaurant chain. She was president of **Pepsi-Cola North America**.
- **Jim Goldman** joined the Domino's Pizza board. He is the CEO of **Godiva**.

- **John Casteen** is joining **Altria's** board. He is retiring as University of Virginia president.
- **Joan Chow** was named to the board of **RC2**, makers of *Learning Curve* products. She is the CMO of **ConAgra**.
- **John Cahill** joined the Legg Mason board. He was the CEO of **Pepsi Bottling Group**. Now he is a partner at **Ripplewood Holdings**.
- **Al Verrecchia** joined the Iron Mountain board. He was the CEO of **Hasbro**, where he is still chairman.
- **Eduardo Sardiña** joined the Perry Ellis board. He was the CEO of **Bacardi USA**.

### Obituaries

- **Fred Morrison** died at 90. He invented a flying disc called the *Pluto Platter*, which **Wham-O** renamed as *Frisbee*. Morrison hated the name, but he felt better after they sold more than 200 million units.

- **Arthur Hayes** died at 76. He led the FDA during the *Tylenol* crisis of 1982.
- **Emilio Lavazza** died at 78. He built his family's business, **Lavazza**, into Italy's favorite coffee ... and a global brand.

## Marketing and Strategy

*Half of all marketing ideas are bad. We used to think we knew which half.*

- The biggest win in 2009 may have been **Coca-Cola** (*Minute Maid*) passing **PepsiCo** (*Tropicana*) for juice leadership. Pepsi insists their packaging fiasco was not a factor, but that's ~~delusional~~ ~~surprising~~ rather hard to believe.
- **Heinz** updated their ketchup packets for the first time in 40 years. Consumers say the new design is easier to open and allows dipping. The CFO says it holds three times as much.
- This is the first year since 1991 that **Callaway** is not selling a *Big Bertha* club. Back then, golfers couldn't believe how big the heads were, but at 190cc they were actually 60% smaller than today's drivers.
- **Iconic Brands** is launching *Yo* vodka, another celebrity-backed liquor brand. The spokesman is **Tony Siragusa**, a fat but likable NFL alum who is now a fat but likable broadcaster. The product contains Damiana, which is said to be a natural aphrodisiac.
- Meanwhile, **Diageo** is introducing *Rökk*, a Swedish vodka that will compete with *Svedka* in the midpriced segment. Vodka is the #1 spirits category, and is #2 in growth.
- **PepsiCo** will stop selling full-sugar soft drinks to schools globally by 2012. They cut out US elementary schools in 2006.
- **Altria** is going national with *Marlboro Snus*, the smokeless tobacco pouches. The name rhymes with "noose", which happens to be another thing that can kill you.
- **Tyson** announced they have cut Russia back to 10% of their total chicken exports. That's very positive spin on Russia's recent decision to ban US chicken. In related news, **Herbert Mines Associates** will no longer work with companies that prefer big, faceless search conglomerates.
- Meanwhile, **Tyson** is entering the doggie treat business. Their meat and chicken-based products are called *True Chews*.

## Free Thoughts

*Meandering musings about major minutia and minor milestones.*

- **Mattel** announced *Barbie's* latest careers, as a computer engineer and a news anchor. That puts her at 126 jobs so far, making her resume way too choppy.
- This issue's "Do As I Say ..." award goes to **Mark Chmiel**, the CMO of Denny's. He wrote an *Ad Age* article telling CMO's how to keep their jobs. Too bad it was published shortly after he was fired.
- *Fortune* published their list of the **50 Most Admired Companies**. CPG honorees include **J&J** (#4), **P&G** (#6), **Coca-Cola** (#10), **PepsiCo** (#25), **Nestlé** (#34), **L'Oréal** (#44), and **General Mills** (#47).
- *Ethisphere* named their list of the **100 Most Ethical Companies**. In alphabetical order, the CPG honorees are **Campbell Soup**, **General Mills**, **Henkel**, **Kao**, **L'Oréal**, **Mattel**, and **PepsiCo**.
- *Corporate Responsibility* published a list of the **100 Best Corporate Citizens**. There are 19 CPG honorees, including seven who made the top 20: **General Mills** (#3), **Kimberly-Clark** (#5), **Coca-Cola** (#8), **Campbell Soup** (#12), **PepsiCo** (#13), **P&G** (#15), and **Colgate** (#18).
- Finally, Harris Interactive reported on their *EquiTrend* survey of **brand equity**. CPG brands took 21 of the top 25 spots, with *Hershey's Kisses* ranked #1 overall.
- Our loss was **Molson Coors'** gain. When the US lost the hockey gold medal, President Obama had to give Canada's prime minister a case of *Molson*.
- A non-profit called **Center for Biological Diversity** is distributing 100,000 free condoms, featuring slogans like "Wrap with care, save the polar bear." Their point is that overpopulation threatens wildlife.

## Quarterly Earnings

*Lots of companies reported, generally with pretty good numbers.*

Company	Earnings	Sales	Comments/Explanation
Anheuser-Busch InBev	+ 11%	- 6%	A tough quarter, with cost-cutting and Latin America helping.
Alberto-Culver	+ 16%	+ 3%	International sales growth (+12%) offset weak US (-3%).
Altria	+ 7%	+ 7%	Helped by pricing, cost-cutting, and smokeless tobacco.
Amer Sports	Doubled	- 3%	Maker of <i>Wilson</i> , <i>Atomic</i> and <i>Salomon</i> helped by cost cuts.
American Italian Pasta	- 20%	- 13%	They are pulling branded products out of some markets.
Avon	+ 16%	+ 13%	Sales in Latin America (+29%) offset North America (-7%).
B&G Foods	\$1M prof	+ 1%	<i>Cream of Wheat</i> maker offset lower unit volume with pricing.
BAT (12 months)	+ 10%	+ 17%	Maker of <i>Lucky Strike</i> and <i>Pall Mall</i> was helped by pricing.
Boston Beer	Doubled	+ 3%	Stock dropped. Go figure.
Brown-Forman	- 13%	+ 10%	Above expectations, but hurt by higher SG&A costs.
Campbell Soup	+ 11%	+ 1%	They overcame weakness in ready-to-serve <i>Chunky</i> .
Carlsberg (12 months)	Tripled	- 6%	Year-ago included charges to buy Scottish & Newcastle.
Church & Dwight	+ 19%	+ 4%	Better than expected, helped by sales, costs, and pricing.
Clorox	+ 28%	+ 5%	Solid quarter; disinfectant wipes helped by swine flu fears.
Coca-Cola	+ 55%	+ 5%	Driven by international; North American cases dropped 1%.
Coca-Cola Enterprises	\$0.1B prof	- 2%	Stronger results in Europe offset weakness in North America.
ConAgra	+ 19%	- 1%	Stock fell due to promotional spending and weak forecast.
Cott	\$14M prof	+ 4%	Above expectations, due to strong UK and Mexican volume.
Danone (12 months)	+ 4%	- 2%	Price cuts in yogurt and water helped drive share gains.
Dean Foods	- 24%	- 3%	Hurt by higher operating expenses. Soft forecast for 2010.
Del Monte Foods	- 2%	+ 8%	Without refinancing costs, profit would have been up 16%.
Diageo (6 months)	- 10%	+ 3%	Weak sales volume in the US was the main issue.
Dr Pepper Snapple	\$0.1B prof	- 1%	Helped by volume growth and lower one-time charges.
Foster's Group (6 mos.)	- 14%	- 5%	The wine business is the weak link, declining in all regions.
General Mills	+ 15%	+ 3%	Above expectations thanks to growth in most business units.
Hansen Natural	\$53M prof	+ 14%	<i>Monster</i> maker reversed loss with sales growth and cost cuts.
Hasbro	+ 77%	+ 12%	Above expectations, led by boys' toys (not boy toys).
Heineken (12 months)	Quintupled	+ 3%	Without one-timers, earnings up 6%. Forecast soft for 2010.
Heinz	- 6%	+ 13%	Good results. Profit was hurt by selling frozen businesses.
Henkel	- 80%	- 6%	Year-ago for Dial owner included a big gain on Ecolab sale.
Hershey	+ 54%	+ 2%	Apparently they don't need to buy Cadbury after all.
Hormel	+ 37%	+ 2%	Refrigerated foods and grocery products were strong.
Imperial Sugar	Doubled	+ 60%	Excluding a big insurance settlement, they lost money.
Jakks Pacific	\$2M loss	- 26%	Toy maker hit by one-timers, weak sales, and shaky forecast.
Jarden	\$1M prof	+ 3%	They beat expectations, and had smaller impairment charges.
Kellogg	- 2%	- 1%	Hurt by higher costs and lower sales, but raised 2010 outlook.
Kodak	\$0.4B prof	+ 6%	Royalties and digital sales drove first profit in five quarters.
Kraft	Tripled	+ 3%	Their multi-year turnaround plan appears to be working.
L'Oréal (12 months)	- 8%	Flat	Emerging markets couldn't offset US and Europe slowdown.
Lance	+ 47%	+ 7%	Helped by sales, especially in private label, and lower costs.
LeapFrog	\$29M prof	+ 37%	Good progress, as they lost \$44 million a year ago.
Lorillard	- 6%	+ 27%	Costs were higher. Sales were up 2% without excise taxes.
Mattel	+ 86%	+ 1%	Above expectations, with best <i>Barbie's</i> growth in 10 years.
McCormick	+ 15%	+ 6%	Above expectations as consumer growth offset foodservice.
MillerCoors	+ 89%	- 2%	Cost cutting helped, but profit was -22% without one-timers.
Molson Coors	Doubled	+ 11%	Helped by pricing and the one-time drop in their tax rate.
Nestlé (12 months)	- 42%	- 2%	Operating profit flat, with a big 2008 gain for selling Alcon.
Pepsi Bottling Group	\$90M prof	Flat	They beat estimates by cutting costs to offset flat sales.
PepsiAmericas	- 9%	- 17%	Pepsi's #2 bottler was hurt by US sales and exchange rates.
PepsiCo	Doubled	+ 5%	Snacks and international offset weakness in US beverages.
Pfizer	Doubled	+ 34%	Excluding last year's big charge, earnings missed estimates.
Philip Morris Internat'l	+ 5%	+ 10%	They raised prices, grew market share, and cut costs.
Pilgrim's Pride	\$34M prof	- 15%	Profit was all due to a one-time tax benefit.
Ralcorp	+ 3%	+ 2%	Growth was mostly due to an acquired business.
RC2	\$8M prof	Flat	Earnings were flat without one-timers. Forecast is weak.
Revlon	+ 13%	+ 3%	Lower expenses and overseas growth offset lower US sales.
Reynolds American	- 17%	- 4%	Profit down for one-timers. Sales exclude excise taxes.
Sara Lee	\$0.4B prof	Flat	Helped by cost-cutting and international sales strength.
Smart Balance	+ 8%	- 10%	They improved gross margin to offset lower unit volume.
Smithfield Foods	\$37M prof	- 14%	After a year of losses, things are looking up.
Smucker	+ 74%	+ 3%	<i>Folgers</i> coffee acquisition has exceeded their expectations.
Tasty Baking	\$5M loss	Flat	Some one-time expenses for their new plant and office site.
Tyson	\$0.2B prof	+ 2%	Better than expected, with chicken and beef getting stronger.
Unilever	- 27%	- 5%	Profit hurt by one-timers, with "underlying" sales up 2%.
Vector (Liggett etc.)	+ 10%	+ 64%	Revenue was inflated by higher federal excise taxes.