



The Consumer BizBuzz

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

Transaction News

Every move makes somebody happy.

The Consumer BizBuzz

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- You could cut the tension with a knife, until there was no tension at all. **Kraft** upped their bid for **Cadbury** to \$19 billion, with more of it in cash. **Hershey** decided not to bid, so Cadbury pragmatically decided Kraft isn't so bad after all. The deal gives Kraft more business in faster growing categories and emerging markets. Or like the t-shirt says, "Chocolate fixes everything!"
- As a prequel, **Kraft's** sold their pizza business (*DiGiorno, Tombstone, etc.*) to **Nestlé** for \$3.7 billion. It gave Kraft cash for **Cadbury**, and it kept Nestlé from bidding.
- Meanwhile, **Nestlé** sold their 52% stake in Alcon, an eye care company, to **Novartis**. The price was \$28 b-b-billion, making it easy to part with a non-strategic business.
- **Heineken** made a south-of-the-border beer run. They will pay \$5.5 billion (\$8 billion with debt) for **Femsa Cerveza**, the Mexican brewer of *Dos Equis, Sol, and Tecate*. Most folks expected **SABMiller** to be the buyer.
- **Sanofi** is paying \$1.9 billion for **Chattem**, maker of niche OTC products like *Selsun Blue, Gold Bond, and Icy Hot*. It moves Sanofi up to #5 in consumer healthcare.
- **Shiseido** is paying \$1.7 billion for **Bare Escentuals**, the company that started the mineral makeup craze. That's a 43% premium versus the going-in share price.
- **Pilgrim's Pride** exited bankruptcy, about a year after beginning the process. This included selling a majority stake to Brazilian meat company **JBS** for \$800 million.
- **Essilor**, the French optics giant, is paying \$565 million for **FGX**. They make non-prescription reading glasses. It's a category we are becoming way too familiar with.
- **TreeHouse Foods** paid \$660 million to buy **Sturm Foods**, a cereal maker. The prior owners were **HM Capital Partners**.
- **Jarden** is paying \$500 million for **Mapa Spontex**, the \$800 million baby and home care business of a French energy company. It is Jarden's first big buy in two years.
- **Alberto Culver** is paying \$390 million for **Simple Health & Beauty**, the #2 skin care brand in the UK. They were owned by **Duke Street**, a private equity firm.
- **Charterhouse** sold **Amerifit**, maker of OTC products like *Culturelle* and *Estroven*, for \$200 million. The buyer is **Martek**.

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Transaction News

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- Japanese brewer **Suntory** bought 65% of a **Pepsi** bottler based in South Carolina. They paid \$113 million.
- **Smithfield Foods** sold two non-core businesses. One was **RMH Foods**, a maker of fully cooked entrees, which went back to the family that owned it before 2001. The other was **Maverick Food Company**, a Chinese joint venture, which went to a big agriculture company there.
- Meanwhile, **Smithfield Foods** bought the remaining 49% of **Premium Pet Health**. They process pork byproducts in ways you really don't want to think about.
- **Constellation Brands** is selling their UK cider business to **C&C Group** of Dublin. The price is about \$70 million.
- **Hormel** is buying **Unilever's** refrigerated side dishes. The \$50 million business uses the brand *Country Crock*, which is also my wife's description of my favorite music.
- **Heinz** sold their frozen appetizer business to **Golden County Foods**. Sales are about \$38 million.
- **Bristol-Myers Squibb** is an empty nester. **Mead Johnson**, the infant nutrition firm, completed their spin-off. With a market cap of \$7 billion, it is the largest one since 2001.
- It wasn't exactly "Who shot JR?", but our last issue featured a few cliffhangers. To resolve them, **P&G** beat **SCJ** by bidding \$470 million for **Sara Lee's** international *Ambi Pur* air care business. And **Green Mountain Coffee** beat **Peet's** by bidding \$290 million for **Diedrich Coffee**.
- As for new cliffhangers, rumors say **P&G** may try to acquire **Newell Rubbermaid**. There may finally be a merger of **Suntory** and **Kirin**. And there are "for sale" signs at **Kettle Foods** and **Combe** (brands such as *Grecian Formula* and *Aqua Velva*).

Court Fights & Slap Fights

Why can't we just all get along?

- This particular *Pepsi Challenge* ended quietly. **PepsiCo** (parent of *Gatorade*) dropped their ad suit against **Coca-Cola** (parent of *Powerade*). The parties will "focus their energy on the marketplace," which means somebody backed down.
- Things are cloudy on *Corona's* beach. The brand's global owner, **Grupo Modelo**, sued **Constellation Brands**, their US marketing partner. Modelo says Constellation is not spending enough.
- A 16-year trade battle ended when the EU agreed to cut banana tariffs that penalized US companies. It is big news for **Chiquita**, **Dole**, and **Del Monte**.
- **Mars** sued **Hershey** over an ad for its *Bliss* chocolate. They claim it blatantly copies the campaign for *Dove* chocolate.
- **ConAgra** sued **Dean Foods**, saying their *Swiss Premium* teas infringe on *Swiss Miss* hot cocoa products. We're officially neutral (get it?), but the logos certainly look similar.
- It may not be the Cuban missile crisis, but **Russia banned American chicken**. This is supposedly because of new food safety regulations, but the real issue is wounded pride after we flooded Russia with chicken as food aid in the 1990s. Now they want to prop up Russian producers.
- Meanwhile, **Tyson** settled a lawsuit saying they falsely described their chickens as raised without antibiotics. Consumers can get up to \$50 if they bought poultry labeled as antibiotics-free. If less than \$5 million is claimed, Tyson will donate to food banks.

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Court Fights & Slap Fights

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- An appeals court says **MGA Entertainment** can like, totally keep selling *Bratz* dolls. A ruling last year would have given the brand (and \$100 million) to **Mattel** this month. That's on hold until all appeals are heard.
- A federal judge had **bad news and good news** for tobacco companies. The bad: they can be forced to cover half their packages with a warning label. The good: their marketing materials cannot be limited to black text on a white background.
- An appeals court sided with **RJ Reynolds**, saying a *Camel* ad in *Rolling Stone* did not violate rules against using cartoons. We're not apologists for cigarettes, but common sense says RJR had no control over the illustrated story next to their 2007 ad.
- The Justice Department filed an antitrust lawsuit against **Dean Foods**. They claim the 2009 purchase of a small Wisconsin dairy was intended to quash competition and drive up milk prices. It was a very small deal, so this signals new aggressiveness by regulators in the agriculture sector.

People News

All the moves fit to print.

CEOs and Presidents

- **Gregg Hammann** joined Power Plate, the high-tech fitness equipment maker, as CEO. He was at **Nautilus**, Levi Strauss, **Coca-Cola**, and **P&G**.
- The aptly-named **Carl Sweat** joined **FRS**, makers of an energy drink for athletes, as CEO. He was at Starbucks and **Coca-Cola**.
- **Heikki Takala** is joining **Amer Sports**, the Helsinki-based maker of *Atomic*, *Salomon* and *Wilson*, as CEO. He has been at **P&G** for 17 years.
- **Steve McCormick** joined **LALA US**, a dairy products company, as CEO. He was at **Weight Watchers** and **Odwalla**.
- **Gary Downing** is joining **Insight Pharmaceuticals** (*Anacin*, *Sucrets*, etc.) as CEO. He was at **Lansinoh** and **Medtech**.
- **Carlos Canals** joined **Tribe Mediterranean Foods**, a maker of all-natural hummus, as CEO. He was at **Kellogg** and **Nabisco**.
- **Bill Perez** is joining Greenhill, a boutique investment bank. He was the CEO of **Wrigley** and **SC Johnson**.
- **Diane Teer** joined **World Kitchen** as president of North America. She was at **ConAgra**, **Campbell**, **Kraft**, and **P&G**.
- **Kandy Anand** joined **Molson Coors** as president of their international business. He was at **Coca-Cola** and **Unilever**.
- **Mike Pellegrino** joined **Sargento Foods** as president of the consumer products division. He was at **Kraft** for years.

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

- **Novartis** promoted **Joe Jimenez** to CEO. He ran their consumer business, and was previously at **Heinz**, **ConAgra**, and **Clorox**.
- **Tyson** named **Donnie King** to run their poultry and prepared foods business. **Noel White** will now run beef and pork.
- **Newell Rubbermaid** promoted **Eduardo Sent** to president of their international business. He ran Latin America for them.

People News

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Sales and Marketing

- **Alexis Nasard** joined **Heineken** to run marketing, sales, and innovation at the global headquarters. He was at **P&G**.
- **Debra Sandler** joined **Mars** as chief consumer officer for their chocolate division. She was at **J&J** and **PepsiCo**.
- **Jerry Perez** joined **Hasbro** as global brand leader for their preschool business. He was at **Learning Curve**, **LeapFrog**, **Fisher-Price**, and **Quaker Oats**.
- **Andrea Fairchild** joined **PepsiCo** as VP of marketing for *Gatorade* (or *G*, or whatever it's called these days). She was at **Nike**.
- **Lawrence Taylor** joined **Electric Beverage**, makers of *Title* sports drink, as EVP. He was at the **New York Giants**, so his responsibilities may include intimidation.
- **Bob Waldron** joined **Sun Products** as CMO. He spent 19 years at **General Mills**.

- **Lonnie Williard** joined **Tribeca Oven**, a maker of artisan bread, to run sales and marketing. She was at **Kraft/Nabisco**.
- **Brad Armistead** joined **PepsiCo** to run marketing for their innovation lab (*Izze*, *Naked Juice*, etc.). He was at **Mattel**.
- **Steve Jungmann** joined SuperValu as EVP of merchandising. He was at **Solo Cup**, **Spectrum Brands**, and **Kraft**.

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

- **Pernod Ricard USA** named **Jonas Renner Tahlin** as marketing VP for vodkas. **Tim Murphy** is now VP of marketing innovation.
- **Diageo North America** named **Peter McDonough** to lead their newly-combined marketing and innovation functions.
- **Louie Gentine** was named president and chief customer officer at **Sargento Foods**. His family owns the company.

Other Functions

- **Maren Boot** joined **Remy Cointreau USA** as VP of HR. She was most recently at Thomson Reuters.
- **Juan Figueroa** joined **Newell Rubbermaid** as CFO. He was at **Cott**, Wal-Mart and **PepsiCo**.
- **Jean-Marc Huet** is joining **Unilever** as CFO. He was at **Bristol-Myers Squibb**.
- **Tom Mangas** is joining Armstrong, the flooring company, as CFO. He was at **P&G**.
- **Geary Cotton** joined **Celsius**, makers of the calorie-burning soft drink, as CFO. He was at **Rexall Sundown**.
- **Dona Fisher** joined Ariat, the Western products company, as CFO. She was at **Crayola**.

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

- **Ceree Eberly** was named chief people officer at **Coca-Cola**. The 19-year company vet most recently ran HR in Europe.
- **Ron Dissinger** was promoted to CFO at **Kellogg**. He succeeds **John Bryant**, who will focus on his role as COO.
- **Chris Nolan** was named treasurer of **Coca-Cola**. He is a 17-year company vet.
- **Linda Clement-Holmes** was named SVP of global diversity at **P&G**. She will still run global business services. Meanwhile, **Deborah Platt Majoras** was named as the company's chief legal officer.

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People News

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Other Functions *continued*

■ **Bob Golden** will run global M&A at **A-B InBev**. He held a similar role for the US business.

■ **ConAgra** named **Rob Sharpe** to run HR and administration, in addition to the commercial business. **Nicole Theophilus** was promoted to SVP of HR and talent.

Boards of Directors

■ **Angela Braly** joined **P&G**'s board. She is the CEO of WellPoint.

■ **Véronique Morali** joined the board of **Coca-Cola Enterprises**. She is a vice-chair at a financial services company.

■ **Jean-Francois van Boxmeer** and **Mackey McDonald** joined **Kraft**'s board. The former is CEO of **Heineken**; the latter was CEO of apparel maker VF Corporation.

■ **Carl Lee** joined the **Welch's** board. He is CEO of **Snyder's of Hanover**.

■ **Don Mulligan** joined Tennant's board. We care because he is CFO of **General Mills**.

■ **Rich Zannino** joined the **Estee Lauder** board. He was CEO of Dow Jones, and he is now at private equity firm **CCMP**.

■ The board of trustees at Emory called for a rum and *Coke*. The new members are **Muhtar Kent**, the CEO of **Coca-Cola**, and **Facundo Bacardi**, the chairman of **Bacardi**.

Obituaries

■ **Jose Fernandez** died at 54 of brain cancer. He was CEO of North American wines at **Constellation Brands**.

■ **Yves Rocher** died at 79. He founded an eponymous beauty products company, growing its sales to nearly \$3 billion.

■ **Curtis Allina** died at 87. He introduced the *Pez* dispenser in 1955, transforming a sleepy candy brand into a pop culture phenomenon. It was featured in a *Seinfeld* episode, and there is even a *Pez* museum.

■ **Sol Price** died at 93. He founded Price Club, the first of the warehouse clubs.

■ **Donald Goerke** died at 83. He worked for **Campbell Soup** for 35 years, where he came up with the idea for *SpaghettiOs*. He also helped introduce *Chunky Soup*.

■ **Guy Day** died at 79. He was the iconic co-founder of Chiat/Day, the iconic ad agency whose iconic work included the iconic *Absolut* campaign.

■ **Glen Bell** died at 86. He founded **Taco Bell** after inventing crispy taco shells. He sold his 868-unit chain to **PepsiCo** in 1978; now there are 5,600 places worldwide to "Yo quiero Taco Bell!"

■ **As The World Turns** died at 54. It was the last soap opera owned by **P&G**.

Marketing and Strategy

Half of all marketing ideas are bad. If only we knew which half.

- As you may have heard, there is a big ad showcase on February 7, with a little football in between. Here's the current roster of **CPG brands** being advertised: *Bud Light*, *Budweiser*, *Coca-Cola*, *Doritos*, *Dove*, *Dr Pepper*, *M&Ms* (or *Snickers*), *Miller High Life*, and *Pop Secret*.
- Speaking of **Super Bowl XLIV**, you may have noticed that **Pepsi** was not on the list of advertisers ... for the first time in XXIII years. **Dr Pepper** will pick up some of the slack, buying their first ad ever.
- Just don't expect us to bring *Utopias* to your Super Bowl party. **Boston Beer** (makers of *Samuel Adams*) produced a limited batch of this "extreme beer." It is aged 15 years, has 27% alcohol, and sells for \$150 a bottle.
- **Dr Pepper Snapple** received \$900 million from **PepsiCo**. The 20-year deal allows Pepsi's new bottling division to continue distributing brands like *Dr Pepper*, *Crush*, and *Schweppes*.
- **Reed's** is the top-selling soda maker in health food stores. Based on their success with ginger ale, they will make ginger-based healthcare products. Whatever.
- **Remy Cointreau** is now the importer of *Zubrowka*, a vodka made in Poland by **CEDC**. Its unique flavor comes from bison grass, which is supposed to be appetizing.
- **Nestlé** can't seem to get anything but bad news on *Toll House* cookie dough. In June they had a recall after 72 people got sick from *E. coli*. Now they have closed a Virginia plant after finding two more tainted samples. At least this stuff never shipped.
- Speaking of recalls, **J&J** may lose their status as the best in the business. Their **McNeil** subsidiary recently pulled several hundred batches of OTC products, but the FDA complains that it took too long – about 20 months – to initiate action.
- As a final recall note, **Unilever** pulled 10 million cans of *Slim-Fast* drinks, fearing bacterial contamination that could cause diarrhea and vomiting. Then again, wouldn't that be better for weight loss?
- Japan is expected to **raise cigarette taxes**. They hope to raise money and reduce the smoking rate, since 40% of Japanese males light up. Still, a pack will sell for only about \$3 there, compared to \$10 here.
- In 1966, **American Snuff** changed their name to **Conwood**, having diversified beyond chewing tobacco to shoe polish, popcorn, and yogurt. They dropped that extra stuff in the 1980's, so now they have adopted **American Snuff** as the new old name (or the old new name).
- **P&G** is launching *Pampers Dry Max*, which they describe as the brand's biggest upgrade in 25 years. Their R&D person knows, having tested it on her own children for five years. Personally, we wanted our kids out of diapers within three years.
- Some wisecrack put **fake labels** on bottles of *Gatorade* in Colorado. They showed a picture of Tiger Woods, plus the word "unfaithful". It was pretty easy to arrest Jason Kay, who put his email address on the label ... and later contacted **PepsiCo**.
- Tiger lost some endorsements, but he helped a small maker of men's grooming products. Sales are way up at **Lucky Tiger**, with news of every girlfriend driving bonus traffic to their website, *getluckytiger.com*.
- By the way, we too are taking an indefinite break from professional golf.
- This year marks the **125th birthday** of *Dr Pepper*, which is older than *Coke* and *Pepsi*. Those two are only 124 and 117.

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Marketing and Strategy

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- **Coca-Cola** introduced a “plantbottle” to replace traditional plastic. The material is 30% plant-based ... something about sugar cane converted into mono-ethylene glycol. But then our eyes glazed over.
- **Hasbro** obtained a ten-year *Sesame Street* license, taking over from **Mattel** in 2011.
- **Mattel** is now the toy partner of WWE, the leader in pro wrestling. Products include action figures based on stars like *Big Show* and *Rey Mysterio*, as well as roped rings and toy-size championship belts. Seriously.
- All kidding aside, here’s a really smart new product. **Scotts Miracle-Gro** is introducing *Grounds Keepers Select*, a seed mix that lets your yard replicate the grass in Fenway Park, Wrigley Field, or other ballparks.
- The Winter Olympics start in a couple of weeks. **P&G** stepped up to sponsor the *Team USA Family Home*, where athletes and their families gather, watch events, and pick up tickets.
- It’s only January, but we have seen the **year’s worst ad campaign**. To paraphrase Domino’s: “We can’t believe you actually bought the stuff we used to make.”
- **Bruce Willis** signed a four-year contract with **Belvedere** to promote *Sobieski* vodka. We recall when Bruce very publicly stopped drinking in 1988, but we shouldn’t let facts get in the way of a persuasive spokesman.
- **P&G** announced they will sell key brands on a new thing called the internet. Which reminds us that Mark Twain wanted to be in Cincinnati when the world ends ... since everything happens there 10 years later.

Free Thoughts

Nonsensical natterings about news of negligible noteworthiness.

- When **AB InBev** announced plans to cut 300 jobs in Belgium and Germany, workers at a brewery took 10 managers hostage. Now that is an empowered workforce.
- In our continuing quest for **great job titles**, we learned that some people at Select Comfort are **Sleep Professionals**. We are sending them our resume.
- An article in the *New England Journal of Medicine* says we took a step forward ... and two steps back. Smoking is down 20%, but obesity is up 48%. Net, life expectancy will decline over the next 10 years.
- Analysis by *The Wall Street Journal* says the **average NFL telecast** features just 11 minutes of actual action. More concerning, it features just 3 seconds of cheerleaders.
- We wish we had a **recruiting relationship** with the Washington Redskins. They have hired **five new head coaches** in five years, including Mike Shanahan this year.
- *Fortune* ranked the top 100 companies to work for. CPG honorees include **Smucker** (#47), **McCormick** (#72), **Mattel** (#78), **SC Johnson** (#83), **General Mills** (#90), and **Colgate-Palmolive** (#100).

Quarterly Earnings

Forgive us if missed a few.

| Company | Earnings | Sales | Comments/Explanation |
|-----------------------|-------------|-------|--|
| Abbott Labs | Flat | + 11% | Nutritional products – their CPG business – grew 9%. |
| Altria | + 7% | + 29% | Helped by smokeless tobacco. Tax increase inflated revenue. |
| American Greetings | \$30M prof | - 3% | Above expectations due to portfolio changes and cost cuts. |
| Brown-Forman | + 3% | - 4% | Helped by <i>Jack Daniel's</i> and ready-to-drink cocktails. |
| Callaway Golf | \$16M loss | + 9% | They always lose money in Q4, but times are tough in golf. |
| Chattem | \$4M loss | + 5% | Profit was up a bit without one-timers. |
| Colgate-Palmolive | + 27% | + 11% | Momentum is good, especially in Latin America and Europe. |
| ConAgra | + 42% | - 2% | Better than expected due to share growth and savings. |
| Constellation Brands | - 47% | - 4% | Hurt by one-timers, and by shift to low-priced wine and beer. |
| Del Monte Foods | + 24% | + 6% | Much better than expected, due to sales gains and lower costs. |
| Diamond Foods | + 39% | - 8% | Above expectations, but sales hurt by late walnut harvest. |
| Elizabeth Arden | + 54% | + 6% | Encouraging results, but they are still cautious about future. |
| Energizer Holdings | + 13% | + 13% | Helped by better-than-expected sales of batteries and razors. |
| Estee Lauder | + 62% | + 11% | Helped by cost-cutting and first sales increase in a year. |
| Fortune Brands | \$12M prof | + 1% | The owner of Beam and Titleist had big charges last year. |
| Green Mountain Coffee | - 13% | + 77% | Year ago included a huge gain from patent litigation. |
| General Mills | + 50% | + 2% | Above expectations, with retail sales offsetting foodservice. |
| Hormel | + 53% | - 10% | Helped by lower hog prices and strong chili sales. |
| Imperial Sugar | \$0.2M loss | + 18% | They have rebuilt and reopened the refinery that exploded. |
| J&J Snack Foods | + 65% | + 6% | Above expectations due to new products and lower costs. |
| Johnson & Johnson | - 19% | + 9% | Profit decline is due to a \$1.1B charge for a restructuring. |
| Kimberly-Clark | + 17% | + 8% | Below expectations, but helped by pricing and weaker dollar. |
| McCormick | + 41% | + 2% | Consumer business strength offset decline for industrial. |
| Mead Johnson | + 38% | + 1% | Helped by lower taxes and growth in Asia and Latin America. |
| Procter & Gamble | - 7% | + 6% | Year ago included gain for selling <i>Folgers</i> . |
| Sanderson Farms | \$20M prof | + 2% | Helped by reduced costs and absence of one-timers. |
| Smithfield Foods | \$24M loss | - 15% | Hog business is still weak, but packaged meats are growing. |
| Spectrum Brands | \$1.2B prof | - 12% | All profit came from gains related to their bankruptcy. |