



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

Transaction News

The flow has slowed, but there is still a trickle.

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┌ **PepsiCo** is buying **Spitz International**, a marketer of sunflower and pumpkin seeds.

┌ **Pepsi Bottling Group** made their largest buy since going public in 1999, acquiring family-owned **Lane Affiliated**. The #8 bottler of *Pepsi* serves Arizona, Colorado, and New Mexico.

┌ After four years of trying, **Tyson** succeeded in Brazil, the #1 country for chicken exports. They bought two companies and a 70% stake in a third. Trust me, you wouldn't know the names.

┌ **Sara Lee** also believes in Brazil. They bought **Cafe Moka**, a \$65 million coffee company with two brands and a coffee roasting plant.

┌ Apparently there was a special on Australian companies. **Kellogg** is buying **Specialty Cereals**, a \$17 million maker of natural foods. Meanwhile, **Heinz** is paying \$215 million for **Golden Circle**, a canned fruit and juice maker.

┌ **Modelo** (brewer of *Corona* and *Pacifico*) wants to buy back **Anheuser-Busch's** 50% stake in their company. They say **InBev's** acquisition of A-B opens the door, but those firms disagree.

┌ Lenders convinced **Altria** to wait until 2009 before closing on their **UST** buy. In return, Altria agreed to pay \$300 million if they back out.

┌ The feds approved **InBev's** acquisition of **Anheuser-Busch**, once the Belgians agreed to sell **Labatts USA**. The deal has now closed.

┌ *In the world of private equity transactions ...*

Oaktree Capital acquired **Pierre Foods** as part of the Chapter 11 process. **Madison Dearborn** owned Pierre, but they were crippled by debt and cost hikes.

Circle Peak Capital has taken a minority stake in **Mrs. John L. Strong**. They make luxury paper goods.

Encore Consumer Capital invested in **Atlantic Aqua Farms**. They are the #1 live mussels company in North America.

Prospect Partners invested in **Tender Corporation**. They make personal care products like *AfterBite* insect bite treatment.

Charterhouse sold **Lucite International** to Mitsubishi Rayon for \$1.6 billion.

Court Fights & Slap Fights

Some of my best friends used to be lawyers.

┌ **P&G** sued **Kraft** over patents for a plastic container used by *Maxwell House* coffee.

┌ Meanwhile, **P&G** sued the IRS for \$435 million. They challenge an audit that lowered the value of donations and foreign tax credits from 2001 to 2005. By the way, P&G paid \$6 billion in taxes during that time.

┌ A jury decided **Parmalat** defrauded Citigroup and must pay \$364 million. It is quite a turn of events, since Parmalat initiated the suit after their collapse. They are still suing Bank of America, so maybe they will lose even more.

┌ **Energizer** won an injunction in their patent suit against **Spectrum Brands**. For now, Spectrum cannot market their *Rayovac Lithium* batteries.

┌ **Green Mountain Coffee** will get \$17 million from **Kraft Foods**. It settles a suit that *Tassimo* coffee makers violate *Keurig* patents.

┌ **Callaway** won a court order banning the sale of **Titleist's Pro V1** golf balls. This is after they won a patent suit last December. Titleist says they have changed the ball to avoid the patents.

┌ The European Union fined **Dole** \$63 million and **Del Monte** \$20 million. **Chiquita** turned them in for fixing banana prices between 2000 and 2002. Guess who is off whose Christmas card lists?

┌ **Mattel** asked a judge to impound and destroy the *Bratz* dolls made by **MGA**. This is after winning a \$100 million judgment. The judge says a decision will be enforced after Christmas.

┌ A teen will be sentenced for stealing \$140,000 from the home of **John Tyson**, the chairman of **Tyson Foods**. It was taken during a party his daughter threw, so I have decided that cash on hand will be less than \$100,000 whenever my sons have a party.

Pink Slips & Hard Times

In case the media is not depressing enough.

┌ **PepsiCo** is cutting 3,300 jobs and closing six plants. They are cutting costs to help them revitalize the beverage business.

┌ **Cadbury** is cutting 580 jobs to streamline operations. This includes removing a layer so the seven region managers report to the CEO.

┌ **Jones Soda** is cutting 42 jobs. That may not sound like much, but they only had 110 employees. Most of the cuts are in sales.

┌ **B&G Foods** is cutting 8% of their workers. The goal is to offset commodity costs in brands like *Cream of Wheat* and *Ortega*.

┌ **Kodak** plans yet another round of cuts. This is after a four-year program that cut half their jobs.

┌ **Pepsi Bottling Group** will cut 3,000 jobs. About 750 will be US-based.

┌ **Pilgrim's Pride** is cutting 100 more jobs at an Arkansas plant. All are on the eviscerating line. (Note to self: look for resumes claiming to be Disassembly Engineers.)

┌ **Mattel** swears there will be a Christmas with toys under the tree. Unfortunately, there will be 1,000 fewer employees to open them. That is 8% of their professional and management staff.

┌ **Kraft** is cutting 400 jobs in their various North American offices.

┌ **Philip Morris USA** will cut 180 hourly workers as they close a North Carolina plant. Operations are consolidating in Richmond.

┌ **MillerCoors** has cut 270 jobs so far. It is part of combining two companies into a single entity, based in Chicago.

Pink Slips & Hard Times

Continued.

A few companies took the road less traveled ... thank goodness.

Campbell Soup is adding 50 jobs over three years as they expand a North Carolina plant. They also broke ground on a new building in Camden with a café, gym, and other employee amenities.

The good news is that **PepsiCo** is adding thousands of jobs. The bad news is that all the jobs are in China.

PepsiCo also started work on a new research lab in North Carolina.

In the ugly world of recalls ...

Hasbro recalled *Nerf* blasters. It's not why you think ("Hey, you could put an eye out!"), but apparently the plunger can cause skin injury.

General Mills recalled a specific *Progresso* soup. It was labeled as Hearty Tomato, but the can contains Light Vegetable & Noodle.

McCormick recalled their enchilada sauce mix. It contained milk ingredients not listed on the label, so there was an allergy risk.

There was a scramble by **Heinz**, **Nestlé**, **Cadbury**, **Kraft** to eliminate or inspect Chinese dairy ingredients. This followed outrage about melamine-tainted milk.

People News

It's not gossip... as long as it's true.

CEOs and Presidents

Bill Toler is joining **Pierre Foods** as CEO. He was at **Pinnacle Foods**, plus **Campbell Soup** and **Nabisco** earlier.

Rich Krause joined **NECCO**, the candy maker, as president and COO. His background includes **Elan Nutrition**, **ConAgra**, **Fiskars**, **Newell Rubbermaid**, and **P&G**.

Ed Rowland joined **Five Hour Energy** as president of the international business. He was at **Pfizer/J&J**, **Kraft**, **PepsiCo**, and **Mars**.

Michelle Stacy joined **Green Mountain Coffee Roasters** as president of *Keurig*, the single-cup brewing system. She was at **Gillette** and **P&G**.

Lars Olofsson is joining Carrefour as CEO. He was at **Nestlé**.

Shaun Holliday is joining media agency MPG North America as CEO. He was at **Newell Rubbermaid**, **Pepsi Bottling Group**, **Guinness**, and **Frito-Lay**.

Several internal moves neglected to support their friendly neighborhood headhunters:

Gerilyn Breig was named president of North America at **Avon**. She was brand president.

Duke Petrovich was named president of **Wrigley**. He was chief administrative officer.

Sean Connolly was named president of the US business for **Campbell Soup**. He is replaced by **Irene Britt** as president of North American food service.

Sales and Marketing

Jeri Finard will join **Avon** as SVP and brand president. She had a long tenure at **Kraft**.

Jorge Consuegra is joining Western Union to run US products. He was at Yahoo and **Pepsi**.

Chris Kempczinski is joining **Kraft** as SVP of diners and enhancers. He was at **Pepsi** and **P&G**.

Wendy Clark joined **Coca-Cola** as SVP of integrated marketing. She was at AT&T.

Kim Feil joined Walgreens as CMO. Her CPG roots include **Sara Lee**, **Kimberly-Clark**, **Cadbury Schweppes**, and **Frito-Lay**.

Scott Meyer joined American Standard as CMO. He was at **T-Fal**, **Gillette**, and **J&J**.

People News

Sales and Marketing
Continued.

┌ **Sergio Pereira** joined Quill, a Staples division, as CMO. He was at **ConAgra**, **Barilla**, **Kraft**, and **P&G**.

┌ **Steve Schiller** joined **Hershey** as the VP of marketing excellence. He was at Steak 'N Shake and **Coca-Cola**.

┌ **Frank Thometz** joined **Tootsie Roll** as VP of marketing. He was at **ACH** (*Mazola*, etc.), **Pinnacle Foods**, **Nabisco**, and **Mars**.

┌ **Richard Williams** joined **Smart Balance** as VP of core brands. His CPG work includes **Mead Johnson** and **SmithKline Beecham**.

┌ **Steve Hallowell** re-joined **Kodak** to run marketing communications for digital cameras. He worked there for years before trying more entrepreneurial ventures.

┌ *Some moves failed to utilize a highly-trained executive recruiter ... or even our competitors:*

Dave Burwick was named CMO of North American beverages at **PepsiCo**. He was most recently in the international business.

Andy Fennell was named CMO of **Diageo**. He replaced the retiring **Rob Malcolm**.

Other Functions

┌ **Javier Idrovo** joined **Hershey** to run strategy and business development. He was at **Dole**.

┌ **Bob Probst** joined **Beam Global Spirits & Wine** as CFO. He was at Baxter International.

┌ **Gerry Lord** joined **Revlon** as deputy CFO. He was at **Campbell Soup**.

┌ **Tom Shilen** joined **Sara Lee** as corporate controller. He was at American Express.

┌ **Ebighe Emafo** joined **Campbell Soup** as VP of HR for corporate functions. He was at **Diageo**.

┌ **Andy McCormick** joined **Hershey** as VP of public affairs. He was at **Pfizer**.

┌ **Terry O'Day** is joining **Hershey** as SVP of global operations. He was at **Mannatech**, **ConAgra** and **Nabisco**.

┌ **Rosalyn O'Neale** joined **Campbell Soup** to lead diversity and inclusion. She replaced **Gwen Houston**, who joined Microsoft.

┌ **Pat Williams** joined **Godiva** as director of global talent. He was at Dow Jones.

┌ **Terrell Owens** joined **Dr Pepper Snapple** and the *Venom* brand as Chief Mayhem Officer. And we always thought CMO meant something else.

┌ *In those pesky internal moves:*

Rebecca Bagin was promoted to VP of staffing at **Campbell Soup**.

Geoff Carpenter was promoted to general counsel at **McCormick**.

Greg McKelvey was named chief strategy officer at **Dean Foods**.

Boards of Directors

┌ **Maria Elena Lagomasino** joined **Coca-Cola's** board. She runs a wealth management firm, and was chairman/CEO of JP Morgan Private Bank.

┌ **Clayton Daley** joined Starwood's board. He is retiring as CFO of **Procter & Gamble**.

┌ **Brad Sauer** joined the **Tyson Foods** board. He runs the health care business at **3M**.

┌ **Bob Almon** joined the **Lorillard** board. He was a consultant at Ernst & Young.

┌ **Ted Hall** joined the **Peet's Coffee & Tea** board. He was at McKinsey for 27 years.

People News

Boards of Directors
Continued.

┌ **Ron Kesselman** and **John Stokely** joined the **Imperial Sugar** board. Kesselman was CEO of **Elmer's**; Stokely was CEO of **Richfood**.

┌ **Rose Marie Bravo**, **Jay Margolis**, and **Peter Saunders** joined **Godiva's** board. Bravo ran **Burberry**, Margolis was at **Reebok and Limited**, and Saunders is the chairman of **Body Shop**.

┌ **Vindi Banga** joined the **Thomson Reuters** board. He is president of **Unilever's** food, home, and personal care business.

┌ **John Hunter** joined the board of **Coca-Cola Enterprises**. He ran **Coca-Cola's** international business and was at **Seagram**.

┌ **Graham Mackay** joined the board of **Philip Morris International**. He is CEO of **SABMiller**.

┌ **John Cook** joined the **Brown-Forman** board. He was at **McKinsey**, **Kellogg**, and **P&G**.

┌ **Nabil Sakkab** joined the **Altria** board. He is the retired head of global R&D at **P&G**.

┌ **Luis Nieto** joined the **AutoZone** board. He is president of consumer foods at **ConAgra**.

Obituaries

┌ **Wallace Rasmussen** died at 94. He rose from an ice hauler to become CEO of **Beatrice**. The company became a conglomerate by buying **Tropicana**, **RC Cola**, **Dannon**, and **Samsonite**.

┌ **John Breck** died at 90. He joined his family's beauty company and helped make *Breck* the #1 shampoo in the 1950's. They sold out in 1963 to **American Cyanamid** (now **Wyeth**).

┌ **David Lett** died at 69. He started the Oregon wine industry, planting the first pinot noir vines and establishing a winery called **Eyrie**.

┌ **Mark Miller** died at 89. He founded **Benmarl**, the first real winery in the Hudson Valley region of New York. Now there are more than 20 wineries there.

┌ **Miroslav Havel** died at 86. The glassmaker was the first employee and chief designer of what is now **Waterford Crystal**.

Marketing and Strategy

When in doubt, try something!

┌ *We think beverage companies love celebrities...*

Diamond Estates is partnering with **Dan Aykroyd** to launch a chardonnay and cabernet. They entered Canada last year.

Constellation Brands is developing a rum with **Kenny Chesney**, the country version of **Jimmy Buffett**. I guess they will overlook the fact that "Beer in Mexico" is his big hit.

Drinks America is developing a beer with **Kid Rock**. He may be doing his research now.

┌ **Sunny Delight** will make *Crystal Light* ready-to-drink bottled beverages. **Kraft** will continue to make the powdered version.

┌ **Interbrand** published their ranking of the 100 most valuable brands. It's a debatable list, but we are proud to see a CPG brand (*Coca-Cola*) ranked #1.

┌ Speaking of rankings, **Herbert Mines** is now #9 among all US search firms. That's based on revenue, since we must be #1 in your hearts.

┌ **Avon** has launched *Ironman* fragrance. It is "a victorious fusion of energizing citrus and exotic spices spiked with rich woods." Is that really how triathletes smell?

┌ **WhiteWave** (part of **Dean Foods**) formed a JV with **Hero Group**, a Swiss food company. They will sell chilled fruit products.

Marketing and Strategy

Continued.

┌ **Pepsi Bottling Group** signed a deal to distribute *Muscle Milk*. They are the leader in protein-enhanced functional beverages.

┌ **MillerCoors** has stopped making *Zima*, a clear “malternative” beverage. We are now officially old, because we defended against that launch while running *Bartles & Jaymes*.

┌ Marketers can now buy **advertising on strip-per poles**. (Or so we’re told.) The problem is that half your audience is drunk ... and the other half isn’t looking at the pole.

┌ **Reynolds American** will start selling *Camel* tobacco in dissolvable form. The strips and pellets are drawing fire because they resemble chewing gum.

Free Thoughts

News and natterings of negligible note.

┌ **Mind boggling**. Numbers from MillerZell say Wal-Mart’s private label business is bigger than **Unilever**, **Coca-Cola** and **PepsiCo**. Combined, that is.

┌ **Comforting words**. We saw a consultant’s quote about the economy: “If you’re a brand you eat, drink, smoke, wash yourself with, or recruit great talent with, **you’re going to be OK**.” To be honest, we may have imagined part of that.

┌ As **Indra Nooyi**, the CEO of **PepsiCo**, said recently: “Don’t get too insular. Hire from the outside to shake things up and create diversity of thought.” Words to live by ... plus it helps my kids go to college.

┌ In our **ethics sermon**, a consultant admitted stealing \$400,000 of computer gear from **Anheuser-Busch**. He then failed the intelligence test, trying to sell it all on eBay.

┌ This year’s **Ig Nobel** (get it?) awards were announced by *Annals of Improbable Research* magazine. A professor at Boston University won for proving *Coca-Cola* is an effective contraceptive ... and *Diet Coke* is even better.

┌ In a fabulous initiative, **Sara Lee** created paid internships for people returning to the workforce after raising kids. They are called “returnships”.

┌ *Here’s all I know about the stock market ...*

Campbell Soup was the only S&P 500 stock to advance when the market lost 778 points on September 29. Shares are still up slightly.

Kraft is now one of 30 stocks in the Dow Jones average. They join CPG icons like **3M**, **Coca-Cola**, **J&J**, and **P&G**.

Two CPG companies joined the S&P 500. **Dr Pepper Snapple Group** replaced **Wrigley** (acquired by **Mars**), and **Smucker** replaced **Terex**, a heavy equipment maker.

Spectrum Brands and **Cott** have been notified by the NYSE that they may be de-listed. They need to get their shares above \$1.

┌ No surprise, but **cigarette companies** say they have a “**recession-resilient**” business. Now if only we can make executive search addictive ... without that whole cancer thing.

┌ I saw a great term in *Fortune*. You are probably a **HENRY** – High Earner, Not Rich Yet. Unfortunately, my teen sons make me a **HENRI** – High Earner, Not Rich Indefinitely.

┌ There is a new nominee for the **All-Name** hall of fame, in the *Ironic Career Choice* category. Grant **Balfour** is a pitcher for the Tampa Bay Rays. If he had been born Grant **Strikthree**, they might be World Series champs.

Quarterly Earnings

You can expect next quarter to be worse.

* 6-month results

** 12-month results

Company	Earnings	Sales	Comments/Explanation
Alberto-Culver	Quadrupled	+ 7%	Profit growth reflected one-timer for selling a European unit.
Altria	- 67%	+ 5%	Profit decline is from spinning off international tobacco unit.
Anheuser-Busch	- 6%	+ 6%	Profit grew 16% without one-timers. <i>Bud Light Lime</i> helped.
Avon	+ 60%	+ 13%	International drove growth, but the he stock fell anyway.
Boston Beer	\$295k loss	+ 20%	Hurt by higher costs and a bottle recall.
British Amer. Tobacco	+ 10%	+ 26%	Emerging markets helped with volume and exchange rates.
Callaway Golf	\$7M loss	- 9%	The golf industry is down as consumers cut back.
Clorox	+ 15%	+ 12%	They raised prices to offset commodity and energy costs.
Coca-Cola	+ 15%	+ 9%	Better-than-expected results, driven by international.
Coca-Cola Enterprises	- 20%	+ 7%	Profit grew 4% without one-timers, but outlook is not pretty.
Colgate-Palmolive	+ 19%	+ 13%	They beat expectations, and were bullish about the future.
ConAgra	Doubled	+ 17%	Without one-timers, profit dropped 15% on commodity costs.
Constellation Brands	\$23M loss	+ 7%	Without their write-down in Australia, profit grew 29%.
Cott	\$5M loss	- 10%	The loss is from charges for goodwill and asset impairment.
Dean Foods	Quintupled	+ 3%	Lower dairy costs helped, but the stock tumbled. Go figure.
Diamond Foods	Tripled	+ 1%	Better than expected, but profit growth was on a small base.
Dr Pepper Snapple	- 31%	- 2%	They are heavy on CSD's (sodas), a slow growth category.
Elizabeth Arden	\$13M loss	+ 5%	Loss is from charge for a licensing deal with Liz Claiborne.
Estee Lauder	+ 31%	+ 11%	Better than expected, but they cut their full-year outlook.
Flowers Foods	+ 22%	+ 21%	Great results and bullish outlook. Naturally, the stock fell.
Fortune Brands	+ 61%	- 10%	Profit gain is due to payment from Pernod. Outlook lowered.
General Mills	- 4%	+ 14%	Eating at home helped, but not enough to offset commodities.
Goodyear	- 95%	+ 2%	Helped by higher priced tires, but hurt by the auto slump.
Green Mountain Coffee	Doubled	+ 45%	Very strong results, and their outlook is optimistic.
Hain Celestial	- 35%	+ 22%	One-time charges and commodity costs hurt profits.
Hansen Natural	+ 15%	+ 15%	Sales of <i>Monster</i> stayed strong despite c-store traffic decline.
Hasbro	- 15%	+ 7%	Beat expectations. Without year-ago tax gain, profit grew 5%.
Hershey	Doubled	+ 6%	Restructuring costs ended. Shipments rose before a price hike.
Johnson & Johnson	+ 30%	+ 6%	Very strong results. Without one-timers, profit grew 8%.
Jones Soda	\$5M loss	- 26%	The push to expand grocery distribution hasn't gone so well.
Kellogg	+ 12%	+ 10%	Above expectations, as price increases offset commodities.
Kimberly-Clark	- 9%	+ 8%	Commodities hurt, and consumers balked at price increases.
Kodak	Tripled	- 5%	Profit gain included lower restructuring and retiree benefits.
Kraft	Doubled	+ 19%	Earnings were flat without gain from selling cereal business.
Lance	- 9%	+ 14%	Hurt by commodity and energy costs.
LeapFrog	\$24M prof	+ 35%	Better than expected, due to successful new game systems.
Lorillard	- 3%	+ 8%	They spent more on promotions, manufacturing, and lawsuits.
Mattel	+ 1%	+ 6%	Below expectations. Other toys offset a 1% decline by <i>Barbie</i> .
McCormick	+ 21%	+ 9%	Eating at home helped. Without one-timers, profit grew 10%.
MillerCoors	+ 15%	+ 2%	Cost savings from their JV helped this first earnings report.
Molson Coors	+ 28%	- 45%	UK and Canadian share grew. Sales moved to MillerCoors.
Nike	- 10%	+ 17%	Excluding a one-time gain last year, profit grew 10%.
Peet's Coffee & Tea	+ 11%	+ 12%	Helped by 23 new shops. Grocery store rollout is a little slow.
Pepsi Bottling Group	- 11%	+ 3%	Profit was flat without last year's one-time gain.
PepsiCo	- 10%	+ 10%	You're drinking way too much tap water.
Pernod Ricard **	+ 1%	+ 2%	Profit hurt by charges for restructuring and buying <i>Absolut</i> .
Philip Morris Internat'l	+ 20%	+17%	Global demand for cigarettes stayed strong. Addiction works.
Procter & Gamble	+ 9%	+ 9%	Helped by price increases and emerging markets.
Ralcorp	Tripled	+ 44%	Much of the gain came from acquiring <i>Post</i> cereals.
Revlon	\$29M prof	+ 1%	Helped by one-time gain from selling <i>Bozzano</i> men's line.
Reynolds American	- 41%	- 1%	Profit down due to restructuring and trademark impairment.
SABMiller *	+ 49%	+ 4%	Most of gain came from setting up MillerCoors.
Sara Lee	+ 15%	+ 10%	Helped by pricing and volume growth, but lowered outlook.
Smart Balance	\$2M loss	+ 39%	Loss is due to \$5M in charges. Volume grew 15%.
Spectrum Brands	\$493M loss	+7%	Most of the loss is from an impairment charge.
Starbucks	- 97%	+ 3%	Fewer customers + lower average transaction = weak results.
Tasty Baking	\$1M loss	+ 1%	Loss reflected severance as they move to a new HQ and plant.
Treehouse Foods	+ 5%	+ 38%	Last year's acquisition of E.D. Smith boosted results.
Tupperware	Quadrupled	+ 25%	That's six straight quarters of double-digit sales growth.
Tyson	+ 50%	+ 10%	Helped by beef and pork, but a loss is likely next quarter.
Unilever	+ 63%	+ 2%	Pricing and savings helped, but they also sold two brands.
UST (Skoal, etc.)	- 6%	+ 1%	They had one-timers tied to restructuring and being bought.