



The Consumer

**BizBuzz**

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

## Transaction News

*Beauty is in the eye of the acquirer.*

Altria (*Marlboro*, etc.) is paying \$11.6 billion for **UST** (*Skoal*, etc.). It helps Altria because smokeless tobacco is a growth market.

Coca-Cola will pay \$2.3 billion (that's 47 times earnings!) for **Huiyuan**, a Chinese juice maker partially owned by **Danone** and **Warburg Pincus**. It will be Coke's second biggest buy ever, if approved by Beijing.

**Philip Morris International** will buy **Rothmans**, the #2 cigarette maker in Canada. The price is about \$2 billion.

**Unilever** sold their US laundry business to **Vestar Capital** for \$1.5 billion. The stand-alone company will be called **Sun Products**.

**Unilever** sold *Bertolli* olive oil to **Grupo SOS** of Spain. (Does that translate as Group Distress?) The price is \$1 billion, and Unilever can use the Bertolli name in other categories.

**Carlsberg** sold their stake in breweries in Turkey and Israel for \$116 million. The buyer is **CBC Group**, an Israeli beverage company.

Coca-Cola and their Latin American bottler, **Coca-Cola FEMSA**, are buying *Agua Brisa* bottled water from **SABMiller**. They will pay \$92 million for the Colombian brand.

**Dr Pepper Snapple** is taking equity stakes in smaller companies they distribute. One is **Hydrive Energy**, a maker of energy drinks. The other is **Big Red**, maker of flavored sodas.

**Richemont** will spin off their 30% stake in **British American Tobacco**. It makes them a pure luxury play, focused on companies such as Cartier.

**Tyson** has entered a third joint venture in China. The poultry company will go by the catchy name of **Shandong Tyson Xinchang Foods**.

**Estee Lauder** bought part of **Forest Essentials**, an Indian beauty products company.

**Richelieu Foods** bought **Sara Lee**'s sauces and dressings for the foodservice channel.

**Fortune Brands** is buying *Cruzan* rum from **Pernod Ricard** for \$100 million. Meanwhile, Pernod will pay \$230 million for Fortune Brands to stop distributing *Absolut* in the US.

**Diamond Foods**, best known for nut brands, is buying *Pop Secret* from **General Mills**. The price is \$190 million.

**SunOpta** bought **Pure Nature Organics**, a frozen vegetables business. It expands their organic food presence.

**Kellogg** bought the assets of **IndyBake Products** and **Brownie Products**. They are contract makers of snacks.

Two Chinese tobacco companies, **Hongyun** and **Honghe**, will merge. It makes them the world's #4 cigarette producer by volume.

**Campbell Soup** will sell their *Generale Condimentaire* condiments business in France. The buyer is **Lesieur**, of France.

**Encore Consumer Capital** made an investment in **MyChelle Dermaceuticals**, a maker of natural skin care products.

**Green Mountain Coffee** paid \$40 million for Tully's Coffee (excluding the stores). It gives Green Mountain a West Coast brand.

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## Transaction News

*Continued.*

┌ **InBev** put out the “for sale” sign at **Oriental Brewery**, a Korean company. They hope to raise \$2 billion toward the \$52 billion price for **Anheuser-Busch**. That leaves just \$50 billion, which takes a lot of car washes.

┌ **Ascendia Brands** also put out the “for sale” sign...and filed Chapter 11 papers. They make *Mr. Bubble* and *Binaca*.

┌ **Revlon** is selling some Brazilian brands, including *Bozzano* for men, to **Hypermarcas**. The price is \$104 million.

┌ **P&G** is selling *Noxzema*, a non-strategic brand, to **Alberto-Culver**. Meanwhile, P&G paid nearly \$300 million for **Nioxin Research Laboratories**, maker of thinning hair products.

## Court Fights & Slap Fights

*Remember, most lawyers are people too.*

┌ The *Bratz* spats are over! **Mattel** was awarded up to \$100 million from **MGA Entertainment**, after a jury decided the dolls were created by a designer while he still worked at Mattel.

┌ **Danone** lost an appeal in China after claiming part ownership of *Wahaha* soft drinks. (Man, I love that name!) The dispute traces to a defunct JV with **Hangzhou Wahaha Group**.

┌ **MillerCoors** has been sued by crazies at the Center for Science in the Public Interest. The concern is *Sparks*, a caffeinated malt beverage. **Anheuser-Busch** recently agreed to stop selling a similar product, rather than face a suit.

┌ Ten beer drinkers filed a suit attempting to block **InBev**'s acquisition of **Anheuser-Busch**. Good luck with that.

┌ **P&G** filed a lawsuit against **RNA**, a private label manufacturer. The Cincinnati guys think *Hydrating Herbal* hair care products are too close to their *Herbal Essences* brand.

┌ **Sounds reasonable**. The makers of a movie called *Hari Puttar* were sued for infringement by Warner Brothers, the *Harry Potter* folks. (Note to self: better scrap that plan to introduce the revolutionary *Hairy Putter* golf club.)

┌ Top ice companies are in hot water. Federal antitrust enforcers are investigating **Party Time Ice**, **Reddy Ice**, and **Home City Ice**. They may have conspired about customers and markets, keeping prices high and freezing out rivals.

┌ A judge has allowed a suit against **RJ Reynolds** by Vermont's attorney general. The case, filed on behalf of 35 other states, challenges claims that *Eclipse* cigarettes are healthier (less unhealthy?) than others.

┌ Meanwhile, Russian health officials are suing **British American Tobacco**. Their not-so-subtle claim is that BAT practices “nicotine genocide”.

┌ In a less emotional case, **Energizer** sued **Spectrum Brands**. They claim lithium batteries from *Rayovac* infringe on two patents.

## Pink Slips

*Proving that some news is bad news.*

┌ **MillerCoors** (the US business of **SABMiller** and **MolsonCoors**) will create a headquarters in Chicago. That means 175 fewer jobs in Milwaukee, and a similar cut in Colorado.

┌ **Pilgrim's Pride** will close two chicken plants and cut 600 jobs. The industry is dealing with high feed costs and a chicken glut.

┌ **P&G** will cut 215 jobs in Boston. They are moving some *Gillette* production to Poland and Mexico.

┌ **Reynolds American** will cut about 570 jobs in their tobacco unit's headquarters. They expect to save \$55 million a year.

┌ On the plus side, **Hormel** is building a new plant in Iowa. It will employ 180 people.

## People News

*It's not gossip if it's true.*

### CEOs

Paul Polman will join **Unilever** as CEO. He was at **Nestle**, preceded by 26 years at **P&G**.

Neil DeFeo will be CEO of newly-formed **Sun Products**, the acquirer of **Unilever's** laundry brands. He was at **Playtex Products, Remington, Clorox, and P&G**.

Seamus McBride is joining **Bacardi** as CEO. He was at **Colgate-Palmolive**.

Scott Greenwood joined **Associated Brands**, a leading private label maker, as CEO. He was at **New World Pasta, Dole, and General Mills**.

Ric Alvarez joined **Frozen Specialties** as CEO. He was at **Castro Cheese, Juanitas Foods, and Country Pure Foods**.

Michael Kehoe joined Canada-based **Cosmetica Laboratories**, a maker of beauty products for branded companies. He was at **CIBA Vision and P&G**.

Sandy Lawrence joined **Therative**, a small beauty device company, as CEO. She was at **iRobot, J&J, Polaroid, and Gillette**.

Mark Koide joined **Natural Dentist**, a maker of all-natural oral care products, as CEO. He was at **Mars, Danone, and Campbell Soup**.

Joe McCarthy is joining Publicis New York as CEO. He ran global marketing at **J&J**.

*Several internal moves neglected to support their friendly neighborhood headhunters:*

Greg Flack was promoted from president to CEO at **Schwan Foods**.

Lawrence Rogers was named CEO of **Sealy**, having been interim CEO since March. That means every major mattress maker has a new CEO this year.

Paul Davis will move from COO to CEO of Coinstar next April. His CPG roots include **Kettle Foods, Barilla, Frito-Lay, and P&G**.

### Presidents and General Managers

Guenther Trieb is joining Sears Holdings as president of **Kenmore, Craftsman, and Diehard**. He was at **P&G**.

John Embree joined **Prince Sports** as president. He was at **Balle de Match**, a tennis apparel maker, and at **Wilson Sporting Goods**.

Mark Baker joined **Scotts Miracle-Gro** as president and COO. He was at **Gander Mountain and Home Depot**.

As proof that CPG training prepares you for anything, Cyril Turner will run Delta's aviation services subsidiary. He was at **Coca-Cola and Frito-Lay**.

Paul Smith joined **Reddy Ice** as COO. He was at **Cadbury Schweppes, PepsiCo, and P&G**.

Casey Keller joined **Alberto-Culver** as president of the US business. He was at **Motorola, Heinz, and P&G**.

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

Steve Cahillane was named president of North America for **Coca-Cola Enterprises**. He ran Europe, joining in 2007 from **InBev**.

John Bryant was promoted to COO at **Kellogg**, retaining his CFO responsibilities. In related moves, **Brad Davidson** is now president of the North American business, and **Paul Norman** is now president of international.

Lawrence Kurzius was named president of international at spice maker **McCormick**. He joined when they bought **Zatarain's** in 2003.

Smucker named **Vince Byrd** as president of coffee, **Steve Oakland** as president of the consumer business, **Mark Smucker** as president of foodservice/international, and **Paul Smucker Wagstaff** as president of oils/baking.

## People News

Continued.

### Sales and Marketing

┌ **Russell Weiner** joined Domino's Pizza as CMO. He was at **PepsiCo**.

┌ **Jay Cooper** returned to **Kraft** from **Hershey**, becoming the SVP of cookies and crackers.

┌ **Mike Senackerib** joined Hertz as CMO. He was at **Nabisco/Kraft** and **Campbell Soup**.

┌ **Frank Thometz** joined **Tootsie Roll Industries** to run marketing. He was at **ACH Foods**, **Pinnacle Foods**, **Nabisco**, and **Mars**.

┌ **Andy Glaser** is joining **Möet Hennessy USA** as SVP of the *Hennessy* business. He was at **Heineken**, **Bass**, and Turner Broadcasting.

┌ **Herb Baer** joined **Water-Jel**, a maker of burn care products, as CMO. He was at **Fujifilm**.

┌ **Carey Cuddeback** joined a little retailer in Bentonville, running product development for the home category. She was at **Mikasa**, **Wedgwood**, **Allied Domecq**, and **Carnation**.

┌ **Lloyd Johnson** joined **Diamond Foods** as EVP of sales. He comes from Expedia, with CPG roots at **Kraft**, **Nabisco**, and **Gallo**.

### Other Functions

┌ **Craig Owens** is joining **Campbell Soup** as CFO and chief administrative officer. He was at Delhaize Group and **Coca-Cola**.

┌ **Ellen Turner** joined Brandimage-Desrippes & Laga, an agency, as VP of strategy. Her CPG roots include **Sara Lee**, **Nike**, **Cadbury Schweppes**, and **Frito-Lay**.

┌ **Greg Polcer** joined **Estee Lauder** as EVP of global supply chain. He was at **Unilever**.

┌ **Michael O'Brien** joined **Jones Soda** as CFO. He was at **Pyramid Brewing**.

┌ **Liz Dunlap** (formerly **Payne**) joined Christie's as their chief HR officer. She was at **Godiva**.

┌ **Kris Breuer** joined **Godiva** as SVP of global HR. She was at **Campbell Soup**, but most recently at Burlington Coat Factory.

┌ **Michael Peel** is joining Yale as VP of HR. He comes from **General Mills**.

┌ **Chris Brickman** is joining **Kimberly-Clark** as chief strategy officer. He was at McKinsey, with earlier work at **Guinness/UDV**.

┌ **David Stangis** is joining **Campbell Soup** as VP of corporate social responsibility. He held a similar role at Intel.

┌ **Jennifer Connelly**, the Oscar-winning actress, joined **Revlon** as a brand ambassador. Some day, I aspire to lead our practice focused on actress/model searches.

┌ *In those pesky internal moves:*

**Joe Spagnoletti** was named CIO at **Campbell Soup**. He has been there for 11 years.

**Steve Reeves** was named CFO at **Black & Decker**. He worked in the power tools unit.

### Boards of Directors

┌ **David Shedlarz** joined the **Hershey** board. He retired last year as a vice chairman of **Pfizer**.

┌ **Iain Napier** joined the **Molson Coors** board. He worked in the beer industry until 2001.

┌ **Luc Jobin** and **Holly Koeppel** joined the **Reynolds American** board. One works for a Canadian holding company; the other for American Electric Power.

┌ **Liz Smith** joined the Staples board. She is president of **Avon Products**.

## People News

*Continued.*

┌ **Ron Kesselman** joined the board of **Inventure Group**, a NASDAQ-listed food maker. He was CEO of **Elmer's Products**.

┌ **Tamara Mellon** joined the **Revlon** board. She created *Jimmy Choo* women's shoes.

┌ **Jeff Ubben** joined the **Sara Lee** board. He runs ValueAct Capital, an activist shareholder.

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### Obituaries

┌ **Robert Young** died at 85. As an executive at **Colgate-Palmolive** in the 1960's, he developed products such as *Ajax*, *Baggies*, and *Fab*.

┌ **Sid Craig** died at 76. He co-founded **Jenny Craig**, the weight loss company, naming it after his wife and partner. The company's finances looked like the yo-yo diets they hated, and they sold to a private equity firm in 2002.

┌ **Don LaFontaine** died at 68. A voiceover legend best known for his movie trailers ("In a world where ..."), he also did 350,000 commercials for brands such as *Budweiser* and *Coca-Cola*.

┌ **Thomas Bata** died at 93. He ran eponymous **Bata** shoe company for decades, and was known as "the shoemaker to the world".

┌ **Julius Richmond** died at 91. As surgeon general, he drove early antismoking campaigns. He was also the first director of Project Head Start for pre-schoolers.

┌ **Michael Hammer** died at 60. As co-author of *Reengineering the Corporation*, he advised a "clean sheet" approach to rethinking work processes and organizations. Too often his ideas were misused to justify downsizings.

┌ **Klaus Jacobs** died at 71. He sold his family business, chocolate maker **Jacobs Suchard**, to **Philip Morris** in 1990.

## Marketing and Strategy

*When in doubt, try something!*

┌ **In the good old days, we only worried about the cold war.** Russia wants to ban poultry imports from 19 American firms, claiming tests show high levels of antibiotics and arsenic. The real reason is to assist Russian poultry producers.

┌ *Some real marketing opportunities were missed.*

**Hershey** recalled ice cream toppings that might contain almonds. ("**Free almonds!**")

**Marzetti** recalled salad dressings because the label did not mention eggs. ("**Free eggs!**")

**Ralston** recalled instant oatmeal because it contained a milk ingredient. ("**Free milk!**")

**Tyson** recalled tons of chicken because a soy-based allergen was not on the label. ("**Free allergens!**") OK, strike that.

┌ **The beer that made Milwaukee famous** is back. *Schlitz* was a top seller for decades, but it disappeared after changes to its recipe and ownership. Now the original recipe is back, thanks to **Pabst Brewing Company**.

┌ **Philips Electronics** is launching a product line in the UK for "sexual well-being". The first items are, ahem, intimate massagers. If you want to know more, you're on your own.

┌ **Nestle** is extending the *Gerber* brand to include *Graduates for Preschoolers*. They want to create a business among kids from two to four.

┌ **P&G** is opening three dry cleaners under the *Tide* banner, as a test. We're just head-hunters, but doesn't the brand stand for wet cleaning?

## Marketing and Strategy

Continued.

As a better idea, **P&G** is opening full-service car washes under the *Mr. Clean* banner. To get a franchise, you must shave your head, dress in white, and develop huge arms.

**Starbucks** signed a license so **Unilever** will now make *Starbucks* ice cream. It had been produced by **Dreyer's grand Ice Cream**.

Marketing is like the Hippocratic oath: **first, do no harm**. Unfortunately, **Hasbro** did plenty in responding to *Scrabulous*, an on-line knockoff of *Scrabble*. Hasbro sued to get it removed, then put up a clunky, slower version that everyone hated.

## Free Thoughts

Worth every penny you paid.

**Forget the 80/20 rule.** The IRS says the richest 1% of Americans pay 40% of all income taxes. And that's before the election.

Seven members are being inducted into the **Kentucky Bourbon Hall of Fame**. I was overlooked again, so I'll just need to buy more.

Good work if you can get it. **August Busch IV** (aka "the Fourth") will lose his CEO job after **InBev** acquires **Anheuser-Busch**. But he will be paid \$120,000 a month until 2013 to consult and attend various meetings and events. The package is worth \$17 million.

To win bar bets, ask folks to name the largest independent US brewer. After the merger of **A-B** and **InBev**, the answer is **Boston Beer**.

**This defines a dead-end job.** At each Olympic swimming event, two lifeguards were on duty. Seriously.

**You just can't win.** A new **Tyson** labor contract in Tennessee dropped Labor Day as a holiday, substituting the Muslim holiday of Eid al-Fitr. All heck broke loose, so the workers will get both days...at least this year.

**Don Keough**, the former president of **Coca-Cola**, wrote a "how-not-to" book. It is called *The Ten Commandments for Business Failure*. We believe #7 is not hiring Herbert Mines.

There are concerns St. Louis will suffer when **InBev** acquires **A-B**. The first shoe has dropped, with the Bowling Hall of Fame officially dropped to Dallas after 25 years next to Busch Stadium.

**A.G. Lafley**, the CEO of **P&G**, will receive the Lone Sailor award from the US Navy Memorial. It goes to veterans with distinguished careers who have exemplified honor, courage, and commitment.

*Forbes* named **Indra Nooyi**, the **PepsiCo** CEO, as #3 among the world's most powerful women. Rankings are driven largely by the size of the company (or country) each person leads.

In this issue's **ethics sermon**, two men face up to 10 years in prison for scheming to import 500,000 tubes of counterfeit *Colgate* toothpaste. The product had no fluoride, and the packaging had spelling and grammatical errors. Unlike this newsletter (we hope).

## Quarterly Earnings

We may be slow, but we think commodity costs are a problem.

Company	Earnings	Sales	Comments/Explanation
3M	+ 3%	+ 10%	Helped by international sales and the weak dollar.
Adidas	+ 12%	+ 5%	Strong outside North America. <i>Reebok</i> brand was weak.
Alberto-Culver	- 16%	+ 12%	Excluding charges, results beat expectations.
Altria	- 58%	+ 4%	Year ago included Philip Morris International, now spun off.
Anheuser-Busch	+ 2%	+ 5%	Helped by price increases and strong <i>Bud Light Lime</i> .
Avon	Doubled	+ 17%	The best quarter since 2005, driven by emerging markets.
B&G Foods	- 5%	+ 1%	Commodity costs. Yada, yada.
Boston Beer	+ 25%	+ 26%	Helped by price increase and craft beers.
British Amer. Tobacco	+ 11%	+ 17%	Helped by pricing, premium brands, and exchange rates.
Brown-Forman	- 8%	+ 7%	Death of agave plants (for tequila) led to a big charge.
Cadbury *	- 38%	+ 14%	US gum and candy sales were especially strong.
Callaway Golf	+ 10%	- 4%	Exceeded expectations, thanks to overseas growth.
Campbell Soup	+ 46%	+ 13%	Helped by higher prices, new soups, and an extra week.
Carlsberg	+ 37%	+ 39%	Helped by acquisition of Scottish & Newcastle.
Coca-Cola	- 23%	+17%	Hurt by rising costs, soft volume, and a big charge at CCE.
Colgate-Palmolive	+ 19%	+ 16%	They covered costs with the biggest price hike in 10 years.
Cott	\$1.8M loss	- 6%	Hurt by \$15M in one-time charges.
Dean Foods	+ 72%	+ 9%	Strong performance in milk/dairy, and lower interest costs.
Del Monte	\$10M loss	+ 16%	Costs rose faster than they could take pricing.
Diageo **	+ 2%	+ 7%	Slowed by the economy, but their costs rose only 3%.
Dr. Pepper Snapple	- 21%	+ 1%	Lots of charges related to their spinoff, plus commodity costs.
Elizabeth Arden	\$10M loss	- 3%	Hurt by charges tied to licensing <i>Liz Claiborne</i> fragrance.
Estee Lauder	+ 36%	+ 14%	International growth offset weaker US results.
Flowers Foods	+ 8%	+ 13%	Commodity costs prevented meeting high expectations.
Foster's Group **	- 88%	- 4%	Big writedowns for struggling wine business, but beer strong.
General Mills	- 4%	+ 14%	Helped by dining at home, but hurt by commodity costs.
Green Mountain Coffee	+ 72%	+ 43%	The stock dropped 6%. Go figure.
Hain Celestial	- 46%	+ 25%	Without one-timers, profit was up 16%.
Hasbro	+ + +	+ 13%	<i>Iron Man</i> toys were very strong, but cost pressure remains.
Heinz	+ 12%	+ 15%	Better than expected as pricing offset commodity costs.
Henkel	- 84%	+ 11%	Excluding one-time charges, profit grew 26%.
Hershey	+ + +	+ 5%	Without one-timers, profit fell 17%. Pricing helped sales.
Hormel	- 10%	+ 10%	Hurt by higher feed and fuel costs, especially in turkey.
Imperial Sugar	\$13M loss	- 51%	Hurt by the explosion at their Savannah refinery.
InBev	+ 9%	- 1%	Profit helped by lower tax payments.
Jones Soda	\$2.7M loss	- 10%	Hurt by promotional allowances and slotting fees.
Kellogg	+ 4%	+ 11%	New products and pricing offset higher costs.
Kimberly-Clark	- 10%	+ 11%	Price increases did not keep up with commodity costs.
Kodak	- 14%	+ 1%	Excluding a big tax refund, they lost money.
Kraft	+ 4%	+ 21%	They were able to price to offset commodities.
Lance Foods	- 70%	+ 8%	They did not price enough for commodities.
Lindt & Sprüngli *	+ 5%	+ 3%	Growth was +8% without exchange rates and acquisitions.
Lorillard	- 9%	+ 2%	Hurt by tax rate and charges for spinoff.
Mattel	- 48%	+ 11%	North America was weak, but overall results beat forecasts.
Molson Coors	- 56%	+ 5%	Hurt by higher energy and commodity costs.
Nestle *	+ 6%	+ 4%	Coffee and baby food were especially strong.
Newell Rubbermaid	- 35%	+ 6%	They plan more aggressive pricing to counter commodities.
PepsiCo	+ 9%	+ 14%	Frito-Lay and international offset weak US beverages.
Philip Morris Internat'l	+ 23%	+ 20%	Helped by <i>Marlboro</i> and currency fluctuations.
Pilgrim's Pride	\$53M loss	+ 5%	Oversupply means they cannot price for feed costs.
Procter & Gamble	+ 33%	+ 10%	Emerging markets strong; beauty weak. Pricing offset costs.
Ralcorp	Quadrupled	+ 13%	Most of profit gain came from investment in Vail Resorts.
Revlon	\$20M prof	+ 8%	They were helped by new products and international.
Reynolds American	+ 13%	Flat	Price increases offset weaker demand.
Sanderson Farms	\$3.6M loss	+ 18%	Hurt by weak foodservice demand, litigation settlement.
Sara Lee	\$0.7B loss	+ 12%	Loss due to writedown at bakery unit. Prices up 4%.
Smithfield Foods	\$13M loss	+ 20%	Prices were up, but not enough to offset feed costs.
Smucker	+ 4%	+ 18%	Helped by higher prices and acquisitions.
Spectrum Brands	\$0.3B loss	+ 11%	Loss was due to writedown of garden and pet units.
Tsingtao *	+ 32%	+ 16%	Their Olympic sponsorship helped drive demand.
Tyson	- 92%	+ 4%	Oversupply of chicken prevented pricing for feed costs.
Unilever	- 21%	- 1%	They may have priced a little too aggressively.
UST	Flat	+ 3%	Smokeless tobacco brands faced more competition.
Wrigley	+ 14%	+ 14%	Helped by pricing, exchange rates, and growth in Asia.

\* 6-month results

\*\* 12-month results