

NONFOOD

GMDC Research Eyes Rx Shoppers

By DAN ALAIMO

COLORADO SPRINGS

— Stores with pharmacies have a total \$4.8 billion opportunity among shoppers who fill a prescription but leave without purchasing anything else, according to new research commissioned by the Global Market Development Center here.

The study, “Helping Consumers Make Healthy Choices Through a Fully Connected Store,” will be released to GMDC’s membership later this month, SN has learned. It was sponsored by Catalina Marketing, St. Petersburg, Fla., and conducted by market research firm Pivotal Perspectives, Madison, N.J.

Among other key findings: Of the 55% of prescription customers who shopped the store, 75% made a Center Store purchase, while of the 45% that stayed close to the pharmacy, only 25% made a Center Store purchase.

“The study identifies the key role pharmacists play in the shopping behavior of prescription fillers, and the opportunity for additional center store sales that exists when pharmacists interact with shoppers,” said Keith Wypyszynski, GMDC’s vice president of business development and chief member officer.

“Pharmacies that provide these solutions and differentiate themselves as a source for integrated health, wellness and education centers, will generate increased consumer loyalty,” said Sharon Glass, vice president of health, beauty and wellness at Catalina.



LET THE GAMES BEGIN

China has had a good run as the dominant manufacturing nation in the world, but with costs rising, what’s next for imports?

By DAN ALAIMO

For years China has held the gold medal for nonfood exports sold in U.S. supermarkets.

Now, with global market conditions shifting, it might be challenged for this preeminence, possibly even by a resurgence of manufacturing in the United States.

As China prepares to host the Summer Olympics this week, most industry sources agree the country is entrenched as the world leader in hard lines, but its continued leadership is debated because of:

- Skyrocketing energy costs that impact transportation, as well as raw material costs and continuing electricity shortages.
- A rising standard of living in China that is bringing higher wages.
- A strong currency against the U.S. dollar that benefits American manufacturers.
- Safety concerns — most notably contaminated pet food, potentially hazardous baby bottles and lead paint on toys — that have greatly eroded consumer confidence.

In the United States, many retailers and wholesalers say they would welcome more American-made products, but a significant resurgence seems unlikely, because the manufacturing infrastructure has mostly gone away; safety concerns with Chinese-made products are being addressed; and the cost difference still outweighs the energy price increases that have equally impacted domestic manufacturing. In terms of the currency exchange rate, it is advantage U.S.A.

Meanwhile, other countries, including India, Vietnam and Indonesia, are picking up manufacturing business from China, but they do not have the resources, infrastructure or labor pool to compete on a broad scale. On safety issues, they represent a bigger question mark than China.

“China will continue to be our primary source for imported product,” said Larry Ishii, general manager of GM/HBC sales at Unified Grocers, Los Angeles. “You will see a certain amount of production of different products

move to other countries, but the production capacity and the maturity of the manufacturing capacity just isn't there yet. So for the next several years, China will still be the primary place, but the relationship we've had all these years is going to be different going forward."

MADE IN THE U.S.A.

Although it will take many years for domestic manufacturers to rebuild their production capacity, demand for U.S.-made products has been growing recently, primarily due to the safety concerns.

For example, "last year, we saw people looking at toys — they would pick up the package from the shelf, look at the back to see where it was made, read 'Made in China,' and put it back on the shelf because they had no confidence in that product," said a nonfood executive with a Northeast retailer. That confidence could be rebuilt through standards and programs like a Good Housekeeping Seal, he said.

Retailers and wholesalers were polled during a recent conference of the Global Market Development Center, Colorado Springs.

At Brookshire Brothers,

Lufkin, Texas, Doug Barnett, director of nonfood, said: "We as a company have taken a stand that we are going to buy as much product that is made in the U.S.A. as possible." That doesn't mean the retailer won't bring in imports — "there is just so much made over there" — but only if an equivalent U.S.-made item is not available, even at a higher cost, he said.

Wal-Mart Stores, Bentonville, Ark., asked one cookware manufacturer, Tramountina, Sugar Land, Texas, to develop a line made in Wisconsin just so it could be sold with a "Made in the U.S.A." label, said Peter Navarro, business professor, University of California, Irvine, and author of the book "China Wars." "It is a huge selling point," he said.

"Several suppliers have come to me with product that they are touting as 'Made in the U.S.A.,'" said Terry Cerwick, senior category manager, non-edibles, Bi-Lo, Greenville, S.C. "Personally, I'd love to see that. I think it would be a good thing for the country."

As a result, Navarro sees a nascent shift back to U.S.-made goods, although "it's in

the infant stages" and could take "a couple of years" to develop. As for China, "it's been very strong, and it is starting to weaken significantly," he said.

On the other hand, Ron Scherer, president of Horizon Marketing, Gig Harbor, Wash., said: "China makes most of the consumable goods in hard lines in the world, and that probably won't change significantly in the near future. Nobody else is geared up for it." Horizon oversees McKenzie Buying Co., Portland, Ore., an import consortium that serves as a sourcing agent for several major wholesalers.

The Chinese manufacturing capabilities have grown stronger in the past two or three years than they did in the 10 preceding years, Scherer said. "The Chinese are making a lot more product, and they are a lot more sophisticated about what they can do and how they do it. Their ability to execute is better than it has ever been before."

Though some companies might shift their sourcing to other countries because of increasing costs, "China will remain the heavy exporter they have become over the

past decade," said Paul Rasmussen, president, Zepol Corp., Minneapolis. While a few industries might shift back to the U.S., "much of our manufacturing infrastructure

has been dismantled over the years. This would make it difficult and very expensive to re-create certain factories, although not impossible by any means," he said. **SN**

WHY CHINA? WHY NOT?

Following are views of retailers and wholesalers who said China will continue to be a big part of their import business:

"We will continue to do business in China. There are still goods that are coming out of that country that are of good quality that do have place in our stores. We will just have to do our due diligence to make sure that they are the right items and that the quality is there." — **Dewayne Rabon**, vice president, general merchandise, and health and beauty care procurement and sales, Winn-Dixie Stores, Jacksonville, Fla.

"There are still products where the best value is coming out of China. The quality is there. There've been price increases. There've been some delays in delivery, but for some products, that is the only place you can get it, and still it is a viable source." — **Lanny Hoffmeyer**, corporate director, hardlines, photo and lobby, center store merchandising, GM/HBC, Supervalu, Eden Prairie, Minn.

"It will continue to be a big part of my business. Cost of goods are very important to our retailers and they are still saying that they want to participate in our import program." — **David Lowe**, senior director, GM/HBC/seasonal, C&S Wholesale Grocers, Avenal, N.J.

"Made in China continues. Made in China is here to stay. We're looking at some things being farmed out to other countries because China is becoming more expensive. I don't know if that is necessarily a good thing because the countries that are less expensive aren't quite as developed, they don't have the infrastructure, and there could be more problems with recalls." — **Al Jones**, senior vice president, procurement and merchandising, Imperial Distributors, Auburn, Mass.

"It's still a vital part of our business and it will continue to be. As other countries become more developed and confidence levels in different parts of the world get a little better, it may put a little more stress on China, but right now that is where the bulk of the merchandise is being manufactured. So it is still very important and we just have to deal with it through the tough economic times right now." — **Mike O'Shell**, director of GM/HBC, the Penn Traffic Co., Syracuse, N.Y.

— D.A.