COVER FEATURE

Frozen Foods Déjà Vu

Pinnacle Foods expects to re-engineer the Aurora brands with the same formula that saved Swanson.

By Rex Davenport

The team leading the re-invention of the portfolio of former Aurora Foods brands includes, from left, Bill Toler, executive vice president of sales; Mike Dion, executive vice president and CFO; Dianne Jacobs, executive vice president and general manager; and Evan Metropoulos, executive vice president of operations and technical services.

In Hollywood, when a movie is a hit, the first thought that comes to mind is to capitalize on it as quickly as possible with a sequel. By almost any measure, Pinnacle Foods Corp. created a blockbuster when it pulled the Swanson® and Hungry-Man brands from the edge of extinction almost three years ago. Now, the food industry – especially the retail trade – is watching to see if the company can create another hit, and revitalize some of the nation's most respected frozen brands – Mrs. Paul's®, Aunt Jemima®, Celeste®, Van de Kamp®, Lender's® and others.

Not unlike the scenario it faced when the private-equity-backed Pinnacle Foods purchased the brands of Vlasic Foods in 2001, the company worked out a deal with a federal bankruptcy court to buy Aurora Foods, which had accumulated the various brands in a series of purchases over several years.

At a price tag of just under $1 billion, the stakes are significantly higher than when Pinnacle shelled out $350 million to buy up Vlasic. But the risk, and potential reward, is nothing new to C. Dean Metropoulos, chairman and CEO.

"I have been pursuing Aurora Foods, and its individual brands, for many years and with different platforms – The Morningstar Group, International Home Foods, Pinnacle," explains Metropoulos. "They are wonderful brands. They have tremendous heritage in the minds of consumers. They have huge levels of awareness across the country. They have great distribution."

Metropoulos explains that the various brands "have gone through several years of generally poor investment, poor innovation and poor sales execution." The brands suffered, he explains. "And in fact, suffered to the point of going into bankruptcy."

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Photos by Vito Palmisano

"It was similar to almost every business we have acquired – over 45 businesses in the past few years," he explains. "They were all troubled and thankfully they have all done well, both in the United States and in Europe."

The problem in many of these acquired businesses usually involved what Metropoulos describes as "wrong balance sheets. They were companies that did not give the brands the ammunition to invest in the business," he says. In many cases that came about as a result of over-paying for the brands in the first place.

"We bid for almost every one of those Aurora brands (at various times)," Metropoulos says. "We were significantly outbid. I was always impressed that other bidders could project 7 or 8 percent growth with these brands and we couldn't see it.

"Aurora was over-leveraged and there was a lack of money being put behind the brands," explains Mike Dion, Pinnacle Foods' executive vice president and CFO. "They tried to manage the business by meeting quarterly objectives that they had put out for Wall Street.

New products and new formulations will be the rule for the newly added brands. Among the first new offerings were the Aunt Jemima Griddlecake Sandwich and the Celeste Pizza five-pack.

And to meet those objectives, they did things like put too much trade (money) out in the market."

There was also the inevitable action of taking costs out of the products, which resulted in an overall slide in the quality of the products themselves.

"The Aurora example typifies what we do best," says Dion. The Pinnacle/Swanson experience has become the template for the integration of Aurora. "When we looked at Aurora, we saw that they had a headquarters in St. Louis that had 170 people working in it. We are taking those (operations) in-house and with very little G&A (general and administrative expenses)."

In Hollywood vernacular, Pinnacle fully expects the Aurora integration to be formulaic.

"We intend to replicate our successful Hungry-Man model with the Aurora brands," explains Dianne Jacobs, executive vice president and general manager. "We will improve product quality and packaging, introduce new items, drive household penetration with advertising and consumer communication and optimize shelving and pricing."

"We are aggressively pursuing new items for our frozen and refrigerated brands," says Jacobs. "We have begun shipping our first round of new items: Low-Carb Lender's® Bagels, Aunt Jemima® Griddlecake Sandwich, both Mrs. Paul's® and Van de Kamp's® Beer Battered Fish Fillets, both Mrs. Paul's® and Van de Kamp's® Lightly Breaded Flounder, Cod and Haddock, Celeste® Party Pack Pizza as well as the re-branding of our Great Starts® breakfast line into the Aunt Jemima® Great Starts breakfast line."

And as was the case with products like the Hungry-Man® XXL line, Pinnacle will be looking to create opportunity in under-served niches. "We will be shipping inno-

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smart.

When talking to the trade, Pinnacle is thinking SMART. According to Bill Toler, executive vice president of sales, the acronym stands for: shelving, merchandising, assortment, retail pricing and total alignment with the customer.

Working with research firm Cannondale Associates, Pinnacle is moving beyond planograms.

"In creating this program, Cannondale helped us think about each of the letters in SMART," says Toler. "We have built trade programs around consumer-based insights that help us set the shelf, generate the right assortment and generate the right total alignment with our customer – which would include things like pricing and merchandising."

Toler says that each element is critical. "We work with customers in all these different ways to provide the leadership that the categories need, and to build the brand success for the Pinnacle businesses."

Inefficiencies in trade spending today have come about because food companies have not always listened very well to their customers, explains Toler. "We need to go to our customers in a way that is collaborative and helps them get to their consumers in an effective way for our brands and their categories," he adds.

vative, new breakfast and seafood items in January that will target underserved niches in both of those categories," she explains.

Creating great new products is only part of the recipe for success for Pinnacle's newly added brands. Sales and marketing efforts have to convince both retailers and consumers that these well-known American brands are worthy of the freezer space – in the store or in the home.

"The Pinnacle model that was applied originally (with Vlasic's brands) is being applied to these Aurora Foods brands," explains Bill Toler, executive vice president of sales. "Our customers are very anxious to see us work the same magic on the Aurora Foods brands that we worked on the old Vlasic brands. They believe in the Dean Metropoulos model: invest in quality, invest in packaging, and invest in marketing.

"The integration of the Aurora Foods brands into the Pinnacle (sales efforts) has gone exceedingly well," Toler adds. "Our partner, Acosta Sales and Marketing, has been a crystallizing force in this. They represented both Pinnacle and Aurora previously, so they have been a point of continuity and leadership as a partner is this effort."

Convincing the retail community is never an easy task, however.

"In a very short period of time the Pinnacle commercial, R&D, marketing and sales teams have put together a fabulous new lineup of products, a series of product improvements and a number of packaging changes," notes Toler. "All of which will revitalize these brands and take them to new heights."

"I think that the retail community has been impressed and wants to see us succeed as an organization," notes Mark Parker, vice president of trade marketing. "They see that we can add value to the brands. They are great brands with tremendous equity. Our major focus is reviving them and making them contemporary. We are making great strides."

Parker adds: "It is a very competitive arena, and unlike the dry grocery side of the business, this is a very different game. Going to the retailers with ideas that will help them build the category is essential."

Part of that commitment is a $160+ million investment in consumer advertising and promotions, as well as new-product introductions in the near term. "That kind of investment has retailers taking notice," adds Parker.

Metropoulos says that in addition to aggressive trade-level activities, the company will allocate and additional $85 million in incremental dollars to consumer marketing just through the rest of 2004. But it's not like that money was just waiting to be spent.

"The purchase price (of a company) invariably does not leave $100 million on the table for product improvement and marketing. Where do we find it? We consolidate plants where appropriate and become more efficient manufacturers. We are very good at extracting that money, but it never comes out of the quality of the product."

"Just because the retailers know we have made product improvements, they aren't impressed unless our marketing programs help them get the consumer to the product," Metropoulos explains. "They may appreciate the quality improvements, and that we have new products, but we have to fight with them every day to get our fair share of features and displays and to get their support." **RFF**

the deal.

With a purchase price of just under $1 billion, as well as dealing with a bankruptcy court, vendors and bondholders, the acquisition of Aurora Foods was not a simple one.

C. Dean Metropoulos

"It was a lot more complicated than we initially intended," explains C. Dean Metropoulos, Pinnacle Foods Corp.'s chairman and CEO.

The private equity group that had made the bulk of the investment in Aurora –about $500 million – was "pretty much wiped out," Metropoulos explains.

Secondary investors, the bondholders, saw their $400 million investment cut in half. Eventually, they were paid about 53 cents on the dollar.

The bondholders had previously contacted Metropoulos to hopefully save the company. "My concern was that we needed additional capital to take control of this business," he explains. "We were looking to put it together with another (group) to bring some synergy to the deal."

That assistance came from J.P. Morgan Partners, which had invested in previous Metropoulos deals, and Boston-based private equity investment firm J.W. Childs Associates. The three-way deal was presented to the bankruptcy court, but the bondholders initially objected. A re-worked deal that gave the bondholders a stake was approved and the very detailed, pre-approved plan was given the final green light on Nov. 27, 2003

"The good thing is that all of the vendors were paid off and it was a smooth bankruptcy process, says Metropoulos, "especially for the suppliers who had been sweating it out."

Building the brands

Pinnacle's marketing experts understand that remaking classics takes time and money.

For the people charged with restoring the luster to the famous – and even historic – brands in the former Aurora Foods portfolio, their marching orders are clear: do it quickly, do it creatively, do it efficiently.

"With the Aurora brands, we have the huge task in front of us – as we did with (Swanson)," explains Patti Goodman, vice president and general manager, Lenders® bagels. "These brands had been starved. They are tired and have been neglected, but they are iconic brands.

"It is incumbent on us to capture the power of those brands and drive them. We have to do it quickly and we have to do it effectively."

Goodman may have one of the biggest challenges. Although Lender's is the leading national brand, it has to operate in three different temperatures in the store—frozen, refrigerated and fresh. "In order to maximize the image of the brand, it has to be consistently spoken about in each of the three segments," explains Goodman. "And it has to be merchandised in such a way that benefits the entire brand, not just one of the forms."

Each form has its own loosely defined customers. Families go for the larger frozen packages, which allow serving control. Women tend to gravitate to the refrigerated version and its connotation of freshness. While men seem to like the fresh form.

Goodman also is charged with marketing the new low-carb offering under the Lender's® banner. She says that Pinnacle decided to not use "low-carb" in the brand name itself. "The brand name is still Lender's®. We just have a low-carb offering, if that is what you are looking for," she notes "But it is not going to be the death knell of the product if the craze goes away."

With the Aurora acquisition came one of America's most venerable product brand names and historic images – Aunt Jemima®. Jason Nibauer, director, breakfast and pizza, is leading the effort to stimulate significant growth behind theAunt Jemima® frozen breakfast and Celeste® pizza brands. The Aunt Jemima® brand has become Pinnacle's primary line for the breakfast eating occasion, and the company is improving package graphics and product quality for all of its grain products (waffles, pancakes and French toast) as well as its protein products (entrée and sandwich lines).

"The protein segment within breakfasts is seeing an increase, especially in handheld sandwiches," Nibauer notes. "There is strong growth there. And we are seeing upticks in the consumption of egg product offerings, due in part to the low-carb craze."

Nibauer says that the newest product, Aunt Jemima® Griddlecake sandwich, capitalizes on the current sweet-savory taste trend. "It is an all-family item. So far we have incredible responsiveness from the marketplace," he adds.

The product was concept tested in January 2003. "And it concept

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From left, Patti Goodman, Rick Klauser, Frank Thometz and Jason Nibauer (inset) have the task of leading Pinnacle's world-famous brands to new heights.

tested well," says Nibauer. "More recently, we saw there was an opportunity for us to launch it. We had seen a prototype that we felt good about. We developed the product in a quick period of time and had it ready for the summer (2004) launch."

Overall, breakfast as a category is growing. Nibauer says, "Retailers are seeing an opportunity in breakfast, as opposed to other segments that may not be as strong.

"We are investing in the Aunt Jemima® brand. It has been off-air for some time, yet it still is an American icon. There is a huge opportunity to strengthen the Aunt Jemima equity with the consumer."

But winning requires more than just a single new product. Nibauer says Pinnacle has been investing heavily in all of its products, and has been especially intent on improving the quality of its egg offerings (an area of serious interest of company Chairman and CEO C. Dean Metropoulos).

"We have spent a tremendous amount of money and effort to improve our eggs and we are seeing double-digit increases since the improved products began shipping," adds Nibauer.

One ongoing challenge is that the breakfast grain shopper and the protein consumer are usually not the same person. "They are different consumers and they don't shop the same part of the aisle," explains Nibauer. "We are creating a mega breakfast brand. We are going to rebrand all of the (former Swanson® branded) Great Starts® items as Aunt Jemima® items. Then, we are going to market the products together, so we can get consumers who buy one to buy the other. We feel this is a tremendous opportunity."

Rick Klauser, vice president of frozen seafood, is another Pinnacle veteran who has taken on the challenge of reinvigorating a sleepy category. But he has two of the world's biggest brand names to build on – Mrs. Paul's® and Van de Kamp's®. "For the most part, frozen prepared seafood has not recognized much growth over the past few years," says Klauser. "There hasn't been a lot of innovation. There have not been a lot of new convenience products. It has been mostly filets and fishsticks."

Klauser says Pinnacle learned a great deal from the Swanson® and Hungry-Man® brand repositioning. "We especially learned how to measure consumer behavior," Klauser explains, "and by looking at what's happening at quick-serve restaurants and what flavor trends are hot with consumers. Learning those insights and bringing them into prepared foods is what we intend to do with seafood."

Product improvements will include higher fish content in filets, lighter breadings (like those found in popular restaurants) and several new species, including flounder, cod and haddock. "We are trying to focus on a more premium product," Klauser notes.

"We will be reinvesting in quality, in the same way we did with Hungry-Man® and Swanson®. And we will remain very much focused on convenience. That has been something that has not been as high a priority in frozen prepared seafood, as it has been in dinners and entrées," Klauser adds. "The consumer wants it to be ready to eat in 15 minutes, and prepared seafood doesn't really offer that now with 25 to 30 minute oven bake times."

With all of the attention on the former Aurora Foods brands, it might be natural to let work on Swanson® and Hungry-Man® products fade into the background. But Frank Thometz, vice president, dinners, is not about to let that happen.

"Our biggest challenge is to help the retailer recapture category growth," Thometz explains. "The dinner and entrée category has begun to decline since mid-2003." Pinnacle's own research indicates that, overall, the frozen dinner category has declined due to retail price degradation, lack of innovation, and reduced consumer investment.

"So, to help the category and help ourselves, we will continue to make major product improvements in the Swanson and Hungry-Man lines," he notes. "Almost 50 percent of the Swanson line will have product news come August and September. Our turkey meal is being overhauled as we go from slices to higher quality medallions, for example."

But perhaps the best way Pinnacle can help the category is to drive velocity with Hungry-Man® branded products. Adds Thometz: "With the product improvements we have made and increased quality, along with consistent investment in advertising and promotion programs, we have been successful. We plan to keep investing heavily to drive the Hungry-Man business. That is the best way to build the category for our customers." **RFF**

Numbers & new products

The carpenter's axiom has always been: Measure twice and cut once. Of course, that explains why it takes 14 months to build a house. At Pinnacle Foods Corp. measurements are important, but the data are always tempered with common sense and no small amount of – for lack of a better phrase – gut reactions.

When numbers, instincts and intuitions suggest a new product, formula or line extension, Pinnacle has a small and dedicated team ready to put the ideas into play.

Phillip Barone, vice president of marketing research and strategy, directs the company's marketing research activities. "I have a tight team," Barone says. "We put the basic information into people's hands and we help people weave the insights from the various data sources to constantly fine-tune the strategy. We move very fast around and sometimes the thoughts are crystallizing while you are still trying to make a decision. The company looks to us to connect the dots behind the scenes."

Pinnacle conducts its own on-site sensory research and is the process of adding its own facilities for on-site focus-group research.

"It's all about insights," explains Barone. "They want to be able to bounce any ideas off us, including packaging and ad copy. The various teams really want to make sure that based on the insights and knowledge we provide that everything we are doing is on-strategy."

The data and insights are necessary fuel to drive the new-product/revamped product engine that is a vital element in the Pinnacle master plan.

Jim Seiple, senior vice president of product development and technical services of Pinnacle's frozen foods business, directs the various elements in the company that bring products to life – and then some. That involves everything that touches the product, from product development to cost reduction and process development.

"It really is everything that has to do with the product," says Seiple, "including QA specifications, QA programs and working with purchasing on vendor approval. Anything that has to do with making the food."

Jim Seiple, senior vice president of product development and technical services, and Phillip Barone, vice president of marketing research and strategy.

A frozen food business veteran (ConAgra and General Foods), Seiple has watched the Swanson® brand for years. He was eager to join Pinnacle. "To be blunt, we don't mess around," Seiple explains. "We get the ideas on the table, we talk about it, we get the best answers we can.

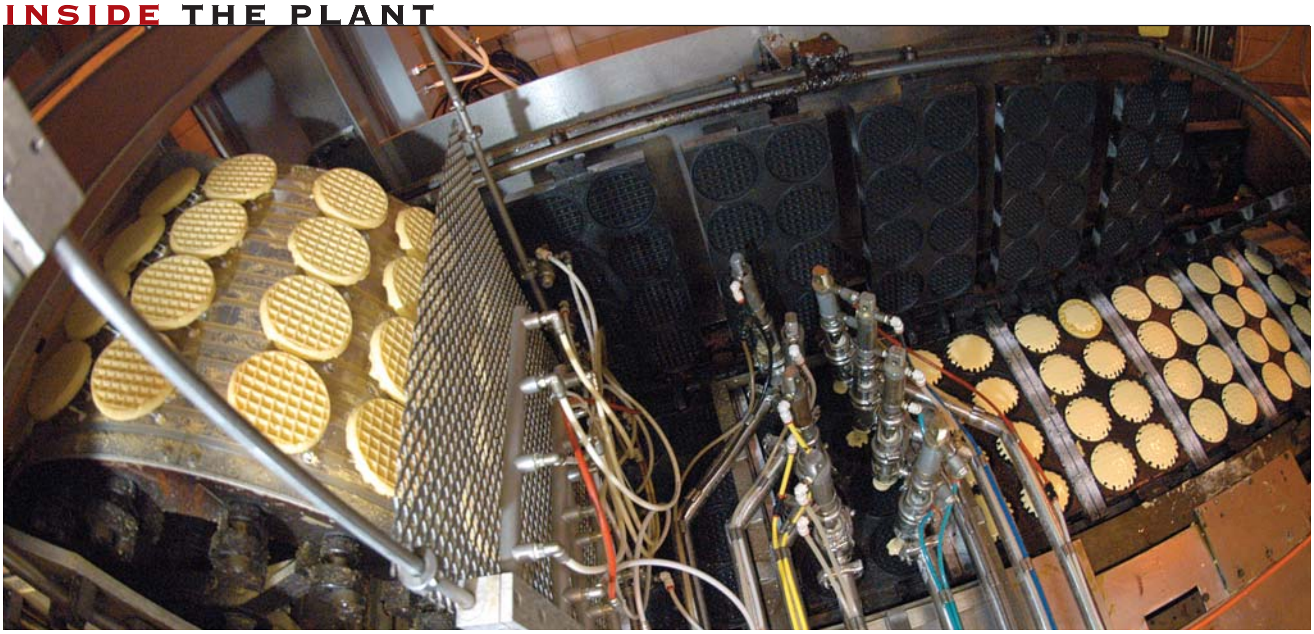
"The good thing about Pinnacle is that you can get a decision quickly. Then you spend your time on execution. You might be wrong now and then, but if you get a lot of smart people in a room, the odds of success go up."

The success rate goes up, Seiple notes, in proportion with the experience of the people involved. "Most everyone here has been with several other businesses. You can operate with fewer people when you have a breadth of talent, and that is what we have here. The quick decisions make it exciting," he adds." "Too often food companies begin to think like a bank instead of a food company. And they make decisions to make the numbers."

Pinnacle's R&D group is located in Cherry Hill, N.J., about 110 miles away from its corporate offices across the state in Mountain Lakes. The ideas and concepts are created and tested on the bench, but it is just one of many steps in an often complicated development process.

"The ideas come from all over the place," says Seiple. "We do research. We get numbers and see what they mean. We make a lot of grocery store visits—I love grocery stores.

"We look at where our business is going. We are told how much money we have to spend. We look at the products we have in the queue. My team's job is to figure out if we can do that. And can we do it in the time frame in which we have to do it. If we have to do it in a hurry, we have to be able to make it on a line that we already have. It requires a lot of interaction with the operations guys and the plant managers." **RFF**



New urgency

A quicker pace, adaptable lines and a new attitude fuel changes at Pinnacle's newly acquired Jackson, Tenn., plant.

By Rex Davenport

It is a whole new game in Jackson, Tenn., this summer. And we don't mean the short rehab visit of the Cubs' Sammy Sosa with the West Tennessee Diamond Jaxx. The Pinnacle Foods plant, which was recently acquired in the purchase of Aurora Foods, is humming with a new urgency.

The plant produced its first products (frozen French toast) as part of the Quaker Oats Co. in 1971. It has grown internally and externally over the years and may have hit is peak production in 1996 when it manufactured 12.4 million cases of product. Under Pinnacle, the plant will be a dedicated breakfast and bakery operation, producing both breakfast items under the Aunt Jemima® and Celeste® pizza brands as well as for private label customers.

"The integration process itself creates some significant challenges, especially since there were so few Aurora personnel that transitioned to Pinnacle," explains Gordon Powell, vice president of manufacturing, and the plant manager. "Pinnacle is a fast-paced organization and as a result decisions are made at an accelerated rate as compared to Aurora."

The ink had hardly dried on the sale, and already personnel at the Jackson facility were being asked to jump on board with a new product line.

"We are currently installing equipment to manufacture the Great Start® breakfast entree line which had previously been produced in the Fayetteville, Arkansas, plant," explains Powell, noting that it will be the first of many changes at the facility.

"We are very fortunate to have some very talented employees who have worked in this facility since it was built and have tremendous knowledge about the products that we produce," Powell adds. "They will be very involved in any new product introductions."

That pace is not about to slow down. "We are expecting some dramatic volume increases in our facility during the next year as part of the restructuring," Powell adds. "It is imperative that the plant deliver the expected financial commitment associated with moving (that volume) into our facility."

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Jackson by the numbers

Land:
104-acre site

Building:
5302,000 square feet
6.85 acres under roof
23 discrete production lines
119 SKUs produced
46,794 square feet of freezer space
728 total bay locations (ingredients and finished goods)
6,687 pallet positions of frozen storage (390,000 cases)
26 trucks shipped daily (56,000 cases)
3 shifts a day/5 days a week
43 salaried employees
458 hourly employees
14 years average employee plant service
45 years average employee age

Photos by Vito Palmisano

A recipe for French Toast

1. Liquid Ingredient Receiving
All bulk liquid ingredients are received by truck, pumped by a positive displacement pump through a strainer assembly and diverted through flexible hoses and rigid pipe to various receiving-holding tanks.

2. Toast Slurry Mixing
Formulated amount and sequence of ingredient addition is programmed into the batch system process controller. The internal processor will automatically start a typical 4,400-pound batch mixing cycle.
INGREDIENTS: Milk, Liquid Whole Eggs, High Fructose Corn Syrup, Vegetable Shortening, Water

3. Toast Slurry Transfer To Holding Tank
After the mixing cycle is complete, the toast slurry is transferred to the toast slurry holding. The transfer cycle is terminated when the mixer is empty.

4. Slurry Transfer To The Batter Depositors
Each toast-baking oven has a pneumatic-mechanical depositing system. Toast slurry is pumped from the holding tank with a positive displacement pump through a magnet-strainer assembly and glycol jacketed tanks.

5. Bread Supply System
Bread is received by truck in bulk and stored in sanitary bakers racks. The overwrap is removed, the bread is sliced and conveyed to the individual bread depositors at each oven. Bread slices are deposited onto stainless steel mesh conveyor belts for slurry depositing and transfer to baking ovens.

6. Batter Depositing System
Bread battering is controlled by a mechanical/pneumatic waterfall system. Bread absorption is controlled by the length of time the bread is held in the batter slurry and by the slurry level in the tank.

7. Baking
Each baking oven has a series of cast steel griddles, gas fired burners, center turning spatulas and a discharge slide. A griddle temperature between 350 and 400 degrees F is required for French Toast baking.

8. Precool
Toast is transferred from the baking oven to a precool conveyor for transfer to the toast freezer.

9. Freezing
The spiral freezers have stainless mesh belting and fans circulating air across ammonia refrigeration coils. A target of –10 to –20 degrees F is set for the production freezer. Freezer retention time is 30 minutes. After conveying through the freezers, the toast is discharged and transferred to toast packaging.

10. Packaging
Toast is deposited from the harvest conveyor to transfer conveyors. The toast is stacked and conveyed to the horizontal packaging equipment. The toast stacks are then wrapped, checkweighed, cartoned and code-dated. The cartoned product then passes through a metal detector. The carton is automatically cased and is transferred to overhead conveyors to the frozen warehouse.

The plant manager is convinced, however, that he has the people to do the work. On average, his plant personnel have been at the facility 14 years, some have been on hand since the facility opened in 1971. Turnover rates have been decreasing for the past three years, another sign of a stable workforce.

"Our greatest strength is our employees and the pride they take in their work," explains Powell. That commitment from the employees had been seriously challenged in recent years as the dire financial condition at Aurora Foods put further stress on the facility. "It was imperative that our team focused on performing at the highest level (during that period).

"Our group was able to deliver, year after year, solid financial results, despite the obvious distractions and lack of capital investment."

The new deal

With the acquisition of Aurora Foods, Pinnacle Foods has the opportunity to shuffle the deck and further consolidate operations. Services and functions that were previously handled at the plant level are now the domain of a corporate shared services group, which reports to Harold Tessman, senior vice president of manufacturing.

"All of the plants had multiple staff levels," Tessman explains. "The corporate shared services group (includes) finance, human resources and engineering. All of this is designed to provide a lean manufacturing environment. So now, in the plants, we have a plant manager who is very focused on quality control, employment management, accounting and payroll. Everything else is handled as a shared service."

The corporate group is responsible for creating best-in-business approaches for all of those former plant-level functions and sharing them with the plants. "We have a best practices maintenance program under way," explains Tessman. "It takes the best findings both within and outside the company and creates a template for maintenance management that we then roll out into the field."

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Other changes will be experienced at the Jackson plant, as well as at the other facilities that now are part of Pinnacle. And people who are not accustomed to working for a leveraged company will get a quick lesson in how they operate.

"Through synergies in the supply chain, as well as purchasing and distribution and manufacturing synergies we have to find funds to meet our marketing needs," says Tessman. "We have packaging improvements and new products, and trade marketing promotions and media advertising. All of that has to be paid for.

"We are in a traditional leveraged situation. So we have to not only pay for the funding of the marketing to reintroduce the brands, we have all of the other financial issues" involved in the purchase to keep in mind.

"And as is always the case with Pinnacle, it is planned and accomplished in a very accelerated timetable," says Tessman.

The introduction of perhaps dozens of new products will test the mettle of the newly acquired facilities. When introducing new products "you have a tremendous crush of activity and action items that have to take place in a very short period of time," explains Tessman. "You may have to (reinvent a product line) in 90 days. You must have a very strong communications to make sure things gets executed.

"There is no set process. You have to pick up the phone and call. And the more you do that the more people understand each other's role. You execute against the basic project plan—it's not elaborate. There have to be checks on all sides – marketing, R&D, logistics/supply chain, manufacturing – so you have to have four-way communication taking place. You have to establish that level of communication and move it through the organization.

"It's a world of new products and the old strategies of automation and dedicated production centers have to be replaced with a core-competency strategy. What can I do in this operation? And how can I structure the manufacturing operations in the organization to be able to respond to a new product line?"

Tessman emphasizes that Pinnacle's quality objectives must never waver in this critical time. "With brands that have fallen out of favor, there is a tendency to take actions that reduce costs, but at the cost of quality," Tessman says. "We have to re-establish our philosophy. Bad quality can be devastating in a re-launch. The consumer has to have a positive experience. We must make sure that our product quality management programs are grafted on at the same time we are going through all of these other activities.

"We feel very passionately that product quality and profitability are not mutually exclusive. In fact they are both equal requisites to success."

Move it

Getting materials to the plants and getting the finished goods off the dock, to our distribution centers, and eventually the retailers' freezers is the daily challenge for Dan Parker, senior vice president, supply chain. And while the Aurora integration has not been a walk in the park, he takes it all in stride.

"To a certain extent, it's more of the same – just a lot more of it," Parker says. "It's a large acquisition, one of the largest I've been involved with. There are new systems and a lot of new technologies that are supporting the integration, but, quite frankly, it has gone almost flawlessly. There are a lot of new people and products that we are not as familiar with, but the learning curve has been short."

"We will complete an evaluation of our current and future distribution network by the end of the summer with our primary focus on the customer," Parker says. "There will be one order, one invoice. Shipping out of combined warehouses is an efficient way to service our customers. It lowers their transaction costs and helps us maintain a tight control over our inventory.

Regularly scheduled cuttings at the Jackson plant assure product quality. Rex Davenport, R&FF executive editor, gets an explanation of product attributes from Harold Tessman, senior vice president of manufacturing.

"We will significantly reduce the number of distribution centers we will be using over the next few months, and we are well along in the process."

And like every person in the Pinnacle Foods organization, Parker knows he is expected to keep one eye on the bottom line. "It's almost a requirement these days. In the private equity environment we have to do more with less," he explains. "We do that by viewing our suppliers as partners in the development and management process. In terms of systems management, purchasing support, and product tracking, our suppliers are partners and they are part of the process." **RFF**