

Opportunities for Branding

by Beth Padera, Perishables Group

In the wake of the weakened economy, changing shopper behavior and emerging channel competition, traditional grocery store retailers must continue to find ways to be unique and gain the competitive advantage in the changing world of food shopping. Finding the right mix of private label, manufacturer brands and unbranded products has become an increasingly important strategy in differentiation. This situation is especially important in the perimeter of the store, including the instore bakery.

There is no doubt that the economic conditions over the past year have caused consumers to practice price-conscious shopping behaviors, subsequently fueling growth in private label purchases in the traditional grocery store sector.

According to 2009 consumer research conducted by the Private Label Manufacturers Association, nearly 30% of shoppers say they are buying more store brands compared to last year, with 55% reporting frequently purchasing private label products. Competitive pricing and high quality products are both imperative to providing value to consumer. Nearly 77% of consumers surveyed agreed that private label product quality

matches or exceeds national brands (PLMA, 2009).

According to the Perishables Group, an independent market research firm specializing in the fresh food industry, private label in-store bakery product sales represented 26.8% of average weekly in-store bakery sales per store nationally for the latest 52 weeks ending Sept. 26, growing 6.6% over the prior year and exceeding the rate of growth of the total bakery.

Store brands pose an opportunity for a retailer to generate customer loyalty to their chain; however, an overemphasis on private labels could be counterproductive, possibly eroding the store's image. Third-party brands are finding a place within the bakery as well, especially when using names that can offer a new quality tier or unique proposition to help spark customer interest. However, across the total U.S., branded in-store bakery items comprised 21.2% of total bakery department sales, down slightly from 22% the previous year.

Room for brands too?

Inside the instore bakery, branded

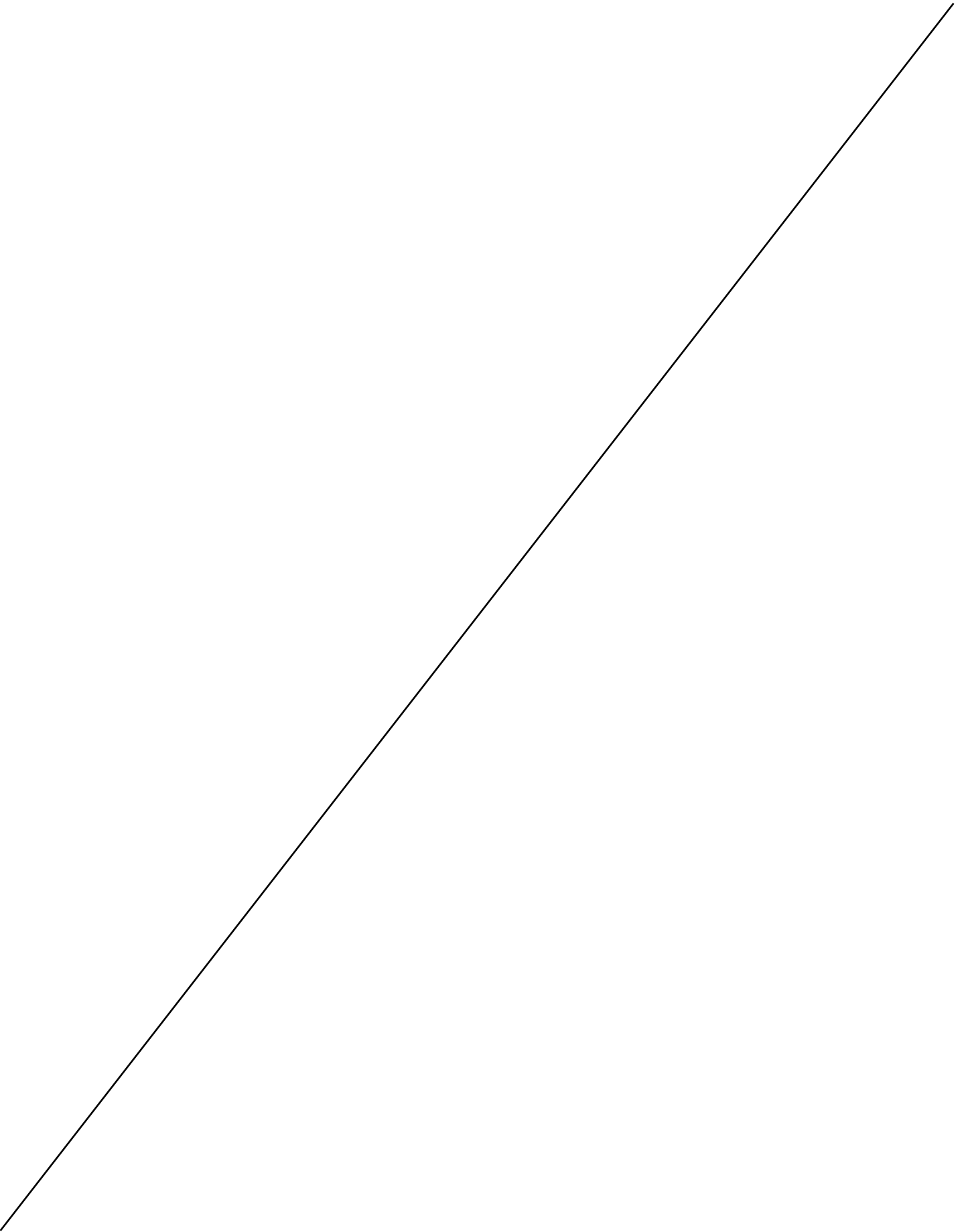
items must have a compelling value proposition for the consumer, especially in the wake of similarly available unbranded or private label items in the same category. However, "value has both rational and emotional aspects to it," according to Nirmalya

Kumar and Jan-Benedict E.M. Steenkamp, authors of *Private Label Strategy: How to Meet the Store Brand Challenge*. They explain, "Rational reasons to purchase a particular brand or private label are

all about functional benefits, performance, and quality." In the in-store bakery, a branded item not currently being carried in private label form has a unique value proposition to the consumer – its functional benefits (flavor, size, variety) are not replicated elsewhere in the department.

Kumar and Steenkamp stress that "emotional reasons are all about image and building close bonds with consumers." Thus, when a manufacturer brand bakery item is introduced amid similar or substitutable unbranded or private label products, it is not necessarily a foregone conclusion that the consumer will opt for the lower-priced option. The branded item can be suc-





cessful if it evokes a connection with the consumer, even if it is serving the same functional benefit.

Consumer research conducted by the Perishables Group in March 2009 revealed that the economy drove some consumers to turn to the in-store bakery for breads/rolls and desserts more often than before. Of the respondents who are now purchasing more fresh baked goods than they were a year ago, more than one-third of them said they are doing so because they are cooking and eating at home more often.

This group of consumers is a prime target for special bakery items, as they are looking to replicate restaurant experiences at home. They are likely accustomed to high-quality or gourmet meal accompaniments

typically found when dining out (including breads, rolls, and desserts), and recognize that these items can be time consuming and complicated to replicate in a home kitchen. However, providing a restaurant-quality meal experience to their families may fulfill an emotional need, and these consumers may be more apt to splurge on bakery items they perceive to be unique and high-quality.

To appeal to consumers' emotional connection to high-quality or gourmet foods, the use of third-party brands is emerging in in-store bakeries as a way to raise perceptions of quality and exclusivity to compete not only with other supermarkets but also stand-alone bakeries and restaurants. However, it requires the right balance between store and national brands,

and between price and quality, to equal success for the retailer.

Bakery Branding Success Story

Recently, a stand-alone bakery in the Los Angeles area partnered with a major retailer, Ralphs Fresh Fare, to test the concept of a branded cake line in the instore bakery.

Sweet Lady Jane opened its doors in 1988, using high quality ingredients and scratch-baking to create great tasting, beautiful products. The bakery has gained national fame due to its celebrity clientele, with high profile wedding and special occasion cakes featured in various media including Oprah, Newsweek and People Magazine, among others. Sweet Lady Jane is known throughout the country, and especially in California, as the "bakery to the stars".

Building off this unique brand identity, Ralphs Fresh Fare grocery store and Sweet Lady Jane embarked together on a retail grocery test in 10 Ralphs Fresh Fare stores in the greater Los Angeles area over a 12-week period in the spring of 2009. The Perishables Group used retail scan data to help Sweet Lady Jane select test stores via a statistical method (analysis of covariance) based on cake category sales and





store demographics. Cake sales in the test stores were then matched to 10 control stores that did not receive the Sweet Lady Jane branded cakes during the test period.

Each test store received four flavors of Sweet Lady Jane branded cake (red velvet cake, old fashioned chocolate cake, coconut cake, and imperial lemon raspberry cake) each in two sizes (5-inch and 8-inch). The cakes were case-displayed, and were put in branded boxes when ordered by customers. Point-of-sale merchandising materials were also installed in the test stores to communicate to consumers the value proposition of the Sweet Lady Jane products. In the test stores, an entire vertical section of the refrigerated dessert case was dedicated to Sweet Lady Jane products, including special laminated signage depicting price, product description, and a cake slice picture for each flavor.

The sales performance results analysis painted a positive picture for not only the newly-introduced branded items, but the private label dessert cake items as well.

During the 12-week test, the test stores carrying the Sweet Lady Jane cakes outperformed the control stores in total dessert cake sales and total cake sales. Compared to the same time period the previous year, the test panel stores sold 125.3% more dollar sales in dessert cakes and 46.4% more in total cakes, according to the Perishables Group's point-of-sale data. The new items represented only 6% of the dessert cakes SKUs in the test stores, but generated 33% of the dessert cake dollar sales.

The Sweet Lady Jane branded items did not cannibalize the existing store branded dessert cake set; in fact, the newly-introduced items had the opposite effect. The branded items raised the perception of quality of cakes in the instore bakery, creating a halo effect for existing private label cakes. Priced at a premium between 35 percent and 152.7 percent per ounce above the store brand alternatives, the Sweet Lady Jane red velvet, imperial coconut cakes boosted comparable private label cake sales during the test period. Due to the success

of the test at Ralphs Fresh Fare, the Sweet Lady Jane cakes were expanded in more flavors to more stores to meet consumer demand for these gourmet cakes.

Instore Bakery Branding Strategies

Branding in the instore bakery has not been fully developed or explored. However, some recent forays have shown that given the proper positioning and retailer, branded bakery items can successfully boost an entire category – store brands and all. Retailers are under constant pressure to differentiate in order to win a larger share of consumers' wallets, and carrying distinctive brands can go a long way toward enhancing store image perception and gaining shopper loyalty.

No matter the strategy, the brand has to resonate with the target consumers. Choosing a brand that fits with the message the store wants to give to shoppers is vital to success. In some retailers, it might work to demonstrate a commitment to the community by stocking a locally-made brand.

In others, providing a well-known national brand might spark interest among consumers who don't often purchase from the instore bakery. And in other stores, stocking an exclusive, high-end product might attract attention to the entire category, as it did in the case of the Ralphs Fresh Fare stores carrying the Sweet Lady Jane products. ■