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Commodities Must Begin to Act Like Branded Companies: Some Perspectives from the United States

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The agricultural commodity industry needs to focus more on profits, less on value, and must change with the consumer. In short, a branded approach is needed. Households today are comprised of time-starved persons working outside of the home who have less experience shopping for and distinguishing between ready-to-eat fruits and vegetables and ones that may be overripe. Consumers want to place their trust in branded companies to give an official endorsement that the product is indeed good and worthy of purchase (e.g., Dole Brands, Sun-Maid Raisins). This change in the mindset of today's food shopper has provided an unprecedented opportunity for marketers of commodities to begin to act like branded companies by stamping the name of a well-known brand onto a commodity thereby guaranteeing its goodness and freshness. A profitable opportunity exists on the horizon for commodity marketers to behave in a manner that is more consistent with branded companies and today's consumer. A case history of Ocean Spray, which has recently faced a decision to protect the brand or sell off and take the risk of being a non-branded commodity in an extremely competitive market, is also discussed.

Keywords: agri-business, branding, commodities, food marketing

Introduction

Changing with the Consumer

The agricultural commodity industry must focus more on profits and less on value and use a branded approach. The history of the agricultural

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commodity industry has been rather simplistic. Farmers would raise their crops carefully (e.g., tomatoes) and send them to the market where they could be purchased by a knowledgeable consumer – a consumer who spent time cooking and preparing foods and who was, therefore, adept at separating the good tomatoes from the bad in the set.

At the same time, food processors have focused more on branding and value-added products. There are three main reasons for this focus: a) it has been shown that consumers will pay substantial premiums for branded and value-added products; b) the increased emphasis on price has led to price promotions and lost margin and branding provides a basis for differentiation and a competitive advantage and c) it provides an opportunity to introduce new products and exploit line extensions more easily (Aaker, p x).

As usual, time has brought change, and specifically, there have been two major changes in the life of today's food consumer. First, today's consumer is more time-starved than ever as both spouses are working away from the home. Today's food shopper is looking for convenience – the most value offered in as minimal amount of time as possible. Convenience, in this case, may be "show me the 'guaranteed' good tomatoes that I know will be delicious and fresh-tasting so that I do not have to spend time searching. Show me this by branding them with a label from a well-trusted food company!". Second, today's on-the-go consumer cooks less frequently and thus has less knowledge about what the appearance of a good tomato actually should be.

So, our food consumer has changed and marketers of commodities need to change with them. In the same way that we enhance the appearance of a tomato soup can (after all, it is hard to tell how fresh and delicious tomato soup is going to be by simply touching and seeing it) by having a Campbell's brand on its label, we need to do the same thing with the tomatoes that sit on the grocer's shelf. The branding approach has worked for bagged salad (e.g., Dole Bagged Salad). Branded bag salad now accounts for over $2 billion in sales and has been growing at over 12% a year (Nielsen 2002) and Dole has a 42% unaided awareness which is two times that of any other produce company (Dole Annual Report 2002). Similarly, a "Dole" tomato means more to a consumer than a plain tomato with no brand associated with it. In the end, brands engender trust and trust is as precious for commodities in today's world as it is for branded products.

Not only does it help to stamp a brand on a tomato to instill a well-known endorsement of its goodness, quality, and freshness, but also, the level at which the commodity is processed can engender trial and adoption. Looking at the shelf today and seeing *bagged* branded *chopped* carrots, and *peeled* Dole pineapple provides examples of how a given commodity can not only become branded to engender trust in its goodness, but also be processed in a way that provides value (i.e., convenience) for the time-starved food shopper. Certified Angus is another example of taking a commodity and creating value as a brand by giving consumers confidence that the product will meet expectations each and every time it is purchased and consumed. In order to compete in the future, the agri-business must act like a branded company. They must develop the technologies of marketing and focus on the consumer. John Stewart, co-founder of Quaker Oats, put the value of the brand in perspective when he said, "If this business were split up, I would give you the land and bricks and mortar, and I would keep the brands and trademarks, and I would fare better than you." In the same way, a McDonald's CEO opined that "a McDonald's board member who worked at Coca-Cola once talked to us about the value of our brand. He said if every asset we own, every building, and every piece of equipment were destroyed in a terrible natural disaster, we would be able to borrow all the money to replace it very quickly because of the value of our brand. And he's right. The brand is more valuable than the totality of all these assets."

What is a Brand?

One of the first questions one must address before taking on the approaches of branded companies is "what is a brand?". While there are entire books addressing this issue (Burns 2003; Spaeth 2003; Stock 2003), in its simplest form, brands are symbols of trust between the processor and the consumer.

In the case of a can of soup or a jar of ketchup, the consumer cannot see, smell, or feel the product as it is "contained". So, they have to trust that the processor has placed a great product in the container and that they will do it every time. Consumers pay for this trust in the form of a higher price.

In the past, with items such as a fresh tomato, consumers have had the ability to pick it up, examine it, feel it, and smell it. If it has met their standards, they have bought it and consumers needed only to trust their senses and skills. However, times have changed.

Today, many young consumers have neither the skill nor the time to pick over anything. In many cases, they have no idea how a perfect tomato should appear nor do they know what makes a steak perfect. Their mothers were full-time employed and spent less time in the kitchen and were not able to pass on time-honoured skills of how to prepare meals. Even the rudimentary skills learned in home economics classes are a thing of the past as these classes are being replaced with more math and science. The new consumer now is more willing to trust others to "select" her/his produce and meats. This is where branding can play a significant role.

What Good is a Brand, Anyway?

This question can be answered quite easily with a little bit of data. Quite simply, brands allow the company to charge more than the equivalent commodity or private-label alternative. In other words, a brand is empowering! A quick glance at price differentials for similar branded and unbranded products in a supermarket in suburban Philadelphia, Pennsylvania helps make the picture clear.

Table 1. Price Differentials: Branded Products Versus Store Brands

Sun-Maid Raisins	\$4.47/lb	Store Brand Raisins	\$3.06/lb
Campbell's Chicken & Stars	\$1.69/lb	Store Brand Chicken & Stars	\$0.89/lb
Heinz Ketchup	\$1.02/lb	Store Brand Ketchup	\$0.84/lb
Welch's Grape Juice	\$1.85/qt	Store Brand Grape Juice	\$1.30/qt

Even the USDA (http://www.rurdev.usda.gov/rbs/coops/vadg.htm) has recognized the need to get value-added agriculture to the market. The Agriculture Risk Protection Act of 2000 engendered the Value-Added Producer Grants (VAPG) Program which was then endorsed by the Farm Security and Rural Investment Act of 2002, also known as the 2002 Farm Bill. VAPG outlines how grants can be used in terms of their ability to organize marketing activities to market value-added agricultural products. To be eligible for the grant, individuals have to be independent producers, or a part of agricultural producer groups. In 2004, close to \$13.2 million was present for grant assistance (http://www.rurdev.usda.gov/rbs/coops/vadg.htm).

Marketing or Sales?

There are two things that agri-marketers must know if they are to compete in the world of brands and branded products. First, they need to understand the difference between marketing and sales. The confusion is well-founded in that many people in food companies have heard that marketing was some new salvation, yet the only change in the company was that the titles of the advertising directors were changed to marketing directors. In other companies, it meant the sales department was responsible for retail customers, and the marketing department for consumers. Nothing else changed. The confusing part is that "marketing" does have two distinct meanings. One, and maybe the most common, is about the tactical things that firms do to persuade customers to buy their products (e.g., advertising and promotions). These are the things that people in most marketing departments do. The other meaning of marketing pertains to a philosophy of doing business, or the way a firm "goes to market." It is this meaning of marketing that was offered as a way to greater profits. It is also the one most often ignored by the agriculture marketing community.

Marketing as a philosophy of business means, "making what the consumer wants to buy, rather than making the consumer buy what you want to make." It means that the process of "going to market" begins with trying to understand what consumers want and for what they are willing to pay.

Companies must realize that while the board of directors gives management permission to make products, consumers give companies permission to make profit. Presently, consumers are yearning for trust – they want to be ensured (and they will pay for the endorsement) that the tomato which they are purchasing has been endorsed and promised to live up to expectations by a well-known product company (e.g., Dole). Make sure that the products you are offering meet a consumer's needs, and not your needs. In other words, commodity marketers need to act more "branded" because consumers will pay for the branded promise of fulfilled expectation.

The second idea that an agri-marketer must know if s/he is to compete in the world of brands and branded products is the difference between what people buy and what s/he grows or produces. There are only two reasons why people buy products: to solve a problem or to feel good. The key to successful marketing in the future will be to understand a customer's problems and find solutions to them. In this case, consumers want the "it's OK to purchase – the item will be good and tasty" endorsement from a well-known company with a great deal of, you guessed it, brand equity.

The Ocean Spray Case

Marketing food is not easy whether it is branded or a commodity. As an example, let's look at the history and recent events at Ocean Spray. They seem to have conducted everything well yet they are struggling because they may have lost their focus on the consumer. Managing a brand (e.g., Ocean Spray) is totally different than administrating a commodity (e.g., cranberries). Administrating a commodity has the price influenced by supply and demand. Managing a brand has price related to the value consumers place on the benefit of the product and the trust they place in you.

Consolidation of competitors has made it more difficult for Ocean Spray to have equal status among customers. However, there are innumerable food companies that must figure out how to compete against giant competitors. "Big" is not a guarantee of success, however, just as "small" is not certain failure. For example, Coke failed with New Coke, Pepsi failed with Clear Pepsi, Quaker Oats failed with Snapple. Herr's Snacks (a small regional company) has improved sales almost every year against the giant (good competitor) Frito Lay. It takes strategy to be successful, not size.

Ocean Spray growers make money from two sources: the sale of non-valued commodity fruit (i.e., Ag handlers) and brand management. If the growers no longer *own* the brand or *control* the brand, then they are at the will and mercy of whoever owns the brand.

Ocean Spray growers must understand the portfolio approach to brand management. Growers need to sell the full volume of their crop, but they do not need to make the same profit on each product. One product might use 60% of the fruit, and generate 61% of the revenue. Another product might use 10% of the fruit, but generate 25% of the revenue. They may even have products that use none of the fruit but still generate revenue.

A key point for growers is to distinguish between their purpose and mission as ag-handlers and as a unified brand (i.e., Ocean Spray). Ag-handlers are about *cranberries*: buying them, storing them, and selling them. Ocean Spray should be about *consumers*: delighting them - not just with cranberries, but with whatever it takes.

In addition, the market is tough. Consolidation among customers and the strength of some players such as Wal-Mart has made it difficult to compete. Figuring out how to sell profitably to Wal-Mart takes a company that is (1) focused on selling to the customer, and (2) not focused on selling off the brand! Many Ocean Spray growers have not been focused on the former, but instead have been focused on the latter. In any case, you cannot have split foci. If half of the growers are focused on getting out of the business by selling the brand while the other half is determined to add value back to the brand, then the left side of the body does not know what the right side is doing. This leads to failure even outside of the realm of the game known as "Twister."

Ocean Spray has not been focused. Has management been focused on growing trust with consumers through innovation and advertising, or has management been focused on figuring out how to get out of the business? A company must only focus on one thing at a time.

The Certified Angus Case

Certified Angus Beef LLC (CAB) turned 25 in October 2003, celebrating the first pound of *Certified Angus Beef* ® (CAB) product sold. During its anniversary year, 11,500 licensees worldwide sold 583 million pounds of this premium brand.

Things did not always look so bright, as anyone who produced Angus cattle 25 years ago knows. They believed they had good cattle, and consumers associated the Angus name with a good steak. But there was no system to identify and deliver consistent quality, or report to the farm gate.

In 1976, in West-Salem, Ohio, the Angus Association regional manager, Louis "Mick" Colvin, stopped in at one of the kitchen-table committee meetings and asked questions that cut to the chase. "I had no interest in the meats end (consumer)," Colvin recalls. "But I asked, 'Can you identify Angus cattle in a high-speed packing plant and maintain identity for the consumer? Will the consumer pay more for the product?' The committee asked me to find the answers." Many of those came from Ohio State University meats professor Bobby D. "Dr. Bob" Van Stavern.

The Certified Angus Beef (CAB) Program would debut in 1978 with Colvin as executive director. It became the first fresh beef brand. "There was no future in just saying a product was 'Angus.' Consumer research studies indicated the need for marbling and standards but they also had to add value.

Today, the program sells a million pounds every four hours. The product line includes fresh steaks and roasts (both middle and end meats) along with value-added products, deli meats, ground beef, CAB brand Prime and CAB brand Natural (Certified Angus, 2004). The company's structured procedures enable worldwide processing, distribution, and brand integrity for consumers to identify its reliability and high quality. Grocery store and restaurant partners require CAB brand quality to satisfy consumers' tastes for superior beef quality every time they dine.

The Mushroom Case

Acting like a brand does not always mean having a "brand." The mushroom industry found that sales seemed to lag other produce items. They conducted research that focused on the perceived obstacles to using mushrooms. Using standard brand research methods, they uncovered that people did not buy and use more mushrooms because mushrooms were too difficult to buy, prepare, and store. In addition, food shoppers often did not remember them (when going to the market for steak and mushrooms, food consumers never forget the steak, but they do, at times, forget the mushrooms) and did not know much about them in terms of nutrition (Stanton and Tucci 2004).

Again using standard brand concept testing methods, they created a number of value-added product concepts that were focused on overcoming each obstacle. For example, while consumers ordered mushrooms with steak in restaurants, they did not replicate that behaviour when shopping in a store because they viewed mushrooms as being too much trouble to prepare. In response to these findings, the mushroom industry created the product "steak cut" mushrooms which were washed and sliced in order to eliminate preparation time. The mushroom industry also merchandised mushrooms in the meat section (reminding them in context), with a spice packet making cooking as easy as possible. This concept was adopted by some of the mushroom growers and has done very well in the market. For each obstacle, a "brand like" product concept was created and provided to any of the growers who wanted to implement it.

Key Steps to Acting Like a Brand

There are four basic steps which agri-businesses must perform to be a brand-like or value-added business. First, they must accept that the most important person in the process is the consumer. They must recognize that their job is to make it easy for the consumer to use their products. The remaining three steps are called segmentation, targeting, and positioning (STP). Virtually every marketing textbook or article on marketing defines and explains these methods. They are the three most basic ingredients in creating a brand. Find out what different consumers want (segmentation), decide which ones you can best serve (target), and decide what you must get them to believe about your product in order for them to buy it (positioning).

Focus on the Consumer and Customer

To succeed in today's world, an agri-business must begin to act like a brand by thinking in terms of the consumer and not just in terms of the product. In other words, develop a "marketing philosophy" as opposed to having a product orientation. This will be the most difficult step for most agri-businesses for their previous business focus has been to produce more and cheaper. Peter Drucker put the role of the consumer in perspective when he said, "A business is not defined by the company name, status, or articles of incorporation." It is defined by the want the customer satisfies when he/she buys a product" (Drucker 1976).

For example, in a time when mushroom sales are lagging, the national meeting of mushroom growers had about 108 articles presented. Only three of the articles focused on marketing or even mentioned the consumer Romaine, Keil, Rinker and Royce (2004). However, the Australian Mushroom Marketing Association has accepted the consumer as the focus of its marketing activities and stated clearly that "the consumer was the focus of the industry because only the consumer could create industry growth" (Seymour and Brownlee 2004). The Australian mushroom industry credits this approach with increasing production by 125% and retail prices by 30%.

Segment the market

Once a business accepts the rule of the consumer, then the next step is to understand what motivates the consumer to buy or what obstacles exist to reduce consumer's purchases. It will be quickly apparent to the agri-business executive that there is not one market comprised of consumers who all want the same thing. Markets are more splintered than ever, and to be successful, the agri-marketer must first decide where the various consumer groups are.

The process of breaking the total market into groups of consumers that have similar wants and desires is called segmentation. While it is outside the scope of this article to technically describe how to segment the market, the process involves finding similar people. The alternatives to segmenting the market are vast (Churchill 1991; Myers 1996).

The key to segmentation is to realize that you are trying to describe the users of the products in such a way that it is inclusive and actionable. The most common mistake in the segmentation process is to slant the analysis in terms of the customers you want. Some companies have started by saying "we only want heavy users so let's do an analysis of heavy users." This is putting targeting before segmentation. An example would be the segmentation done by the cheese industry. Dairy Management Inc. (DMI), the group responsible for marketing US cheese, decided that one message might not fit all. So they did an exhaustive segmentation of the cheese consumer and classified the consumers in different groups. The groups included: Cheese Cravers, Cheese Enhancers, Convenience Seekers, Free Agents, and Light Users. Each group was defined in terms of Heaviness of specific product use, Demographics, Attitudes, Motivations, and Behaviours. Marketing plans could be targeted to each of the segments and could focus on what motivates each segment rather than just telling consumers to buy cheese or reducing the prices.

The biggest obstacle for agri-markets to accepting the segmentation approach is that they say they do not want to "limit" to whom they sell. No one wants to limit to whom they sell, but picking a marketing theme that appeals to everyone frequently leads to a situation about which no one becomes excited. The lowest common denominator is either low price, which simply reduces margins and is the bane of the commodity industry, or a valueless claim.

For example, when the dairy industry choose to put "milk mustaches" on stars to appeal to virtually everyone without really providing a reason to buy milk, milk sales decreased for years. One may argue that the decline of milk sales was outside the control of the marketer, and had they not done the "milk mustache," sales might even have been worse. Evidence to the contrary exists. When Dean's Food decided to market milk they focused on a specific group: mobile kids. They created a product called Chugs, which solved the problems of mobile kids. The package was round and fit into cup holders, the top re-sealed, the packaging was fun and exciting, and the sales were outstanding. Chugs sales were growing while "general" milk sales were declining. A similar story could be told for the bagged salads versus the commodity heads of lettuce.

Targeting

While segmentation is a descriptive process, targeting is proscriptive. It is the process of deciding which segment you can best satisfy. It is frequently referred to as "opportunity analysis." There is little to describe in this step as it is a matching of your company's assets and capabilities to the needs of the market.

Positioning

Positioning is the process of creating a clear, distinctive place in the mind of the consumer. By placing a well-known brand aside the yellow rind of a lemon, one created the perception that the branded lemon is more unique and has more value than other lemons in markets which sit with no approving brand written on the side. By branding lemons, a company has ensured that more juice can be squeezed out of its lemons than other lemons which are not able to leverage the assurance associated with an established and well-known fruits-and-vegetables brand.

Conclusion

In sum, a profitable opportunity is present for commodity marketers, but change is required to partake of its offerings. By acting like a brand, marketers and sellers of commodity goods will be able to have much greater leverage to make a profitable difference and make their product and company stand out positively from others left behind who are stuck in the "marketing-a-commodity" mindset.

The aforementioned trends are also evident in markets outside of the United States. There is ample opportunity for commodity marketers in other countries to awaken and smell the branding party. The lessons drawn from the current discussed practices in the United States can and should be applied by commodity marketers around the world.

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