

## Can Company Brands Return?

As consolidation gains momentum in the apple industry, and more companies become bigger, there appear to be more efforts to establish company brands in the marketplace.

The appeal of a company brand is that it can be used as an umbrella to support a wide array of different fruits and different varieties. If a company brand has succeeded in building a relationship of trust between the supplier and consumers, it can more easily win credibility from retailers when it creates new promotional campaigns or launches new fruits, new varieties, new packs or new marketing innovations.

However, history suggests that building and maintaining an effective company brand has always been a hazardous process, and one that would be both difficult and punitively expensive today.

### **Echoes from the Past**

Some of the most recognizable brands in the fresh fruit business have been established for a long time, Del Monte for over a century, and Chiquita, Dole and Fyffes for over half a century. All four were best known for their banana operations. All four have had operations at different levels of the fruit marketing system from production to wholesaling, and in multiple countries, and have diversified into many other fresh and processed fruits and vegetables at different times in the past.

However, like Hamlet in the Shakespeare play of the same name, all have suffered "the slings and arrows of outrageous fortune" during their history, and have been forced to "take arms against a sea of troubles" such as adverse weather, political upheaval, labor unrest and market crises.

While the brands have survived, the companies themselves have gone through many transformations, some of their own choosing, but some forced upon them during difficult times.

### **Diversification into Apples**

All have diversified into the fresh apple business at some time in their history. However, for many reasons, their umbrella brands have not been able to gain much traction in apples, and apples have not become a central part of their business.

With limited exceptions, brands in apples have either been based on region, like Cape from South Africa or Enza from New Zealand, or have been related to established varieties, like Red Delicious or Granny Smith. However, none of these "brands" have become as dominant as the old banana brands.

For example, in the 2016 Fresh Trends survey conducted by the Packer, when asked which one of the leading apple varieties they preferred to purchase, the most commonly cited variety, Red Delicious, was preferred by less than 15 percent of all respondents. Four other varieties, Fuji, Gala, Granny Smith and Honeycrisp, were preferred by between 9 and 10 percent.

### **Draining Influence of Bananas**

One of the challenges banana companies have faced has been the continuing decline in the real revenues from fresh bananas. For example, the retail price of bananas in the United States in 2016 is more than 20 percent lower in real terms than it was in 1990. Falling real prices drain away resources that a company needs to re-invest or expand.

Many retailers use bananas as loss leaders. To do that, they have continually squeezed the prices they pay suppliers. As a result, everyone in the banana segment has had to focus on cutting costs, rather than adding value to their product.

### **Brand Building Less Accessible**

Building a major food or beverage brand was easier in the past. One could reach a mass market through a limited number of print, radio and television media, and costs of advertising space were still within the reach of medium-sized companies.

In recent times, the costs of major media, like television advertising, have grown much more rapidly than other business costs. Only the largest firms can contemplate attempting to build a brand through a mass marketing campaign. Even then, they must devote much of their promotional efforts to social media.

### **Retailer Resistance**

At the same time that the media world was fractionating, the retail food business was consolidating. Under intense pressure from new formats, like Walmart supercenters and Costco warehouse clubs, traditional supermarkets became larger through mergers and acquisitions.

One result of retail restructuring was that retailers found themselves in conflict to some extent with national food brands. In the case of processed foods, retailers increasingly used own brands that competed directly with processor brands, both to save costs and increase consumer loyalty. That tension between retail brands and proprietary brands continues to this day.

For fresh fruits and vegetables, some retailers insist that their own logo gets prominent place on any consumer packages. More generally, retailers increasingly chose preferred suppliers that were responsible for managing entire product categories in their stores. Category managers were charged with assuring that the profitability of their category continually increased. Functions, like stocking shelves and setting prices, once exclusively carried out by retail staff, and expensed to the retailer, were offloaded on suppliers.

However, to prevent the category managers from becoming unduly influential with consumers, retailers often appointed competing category managers in different geographic regions, and limited the tenure of individual category managers in any region. Category management has become much more difficult in an era when organic items and local food sources have to be jostled along with conventional produce. While its effectiveness is now in question, its effect in its heyday was to hinder existing national brands like Dole from extending their influence with consumers, and to stymie the development of new national brands.

### **Moderate Brand Ambitions**

Given these tensions in the retail food system, it appears unlikely that any current apple marketing firms will be able to build a national brand in the way that Dole or Chiquita were able to do in the past. However, it will still be possible, and indeed desirable, for them to achieve the more moderate ambition of gaining recognition for their company brand with wholesale and retail buyers and major fruit brokers.

In addition, major marketers face an inherent conflict between their commitment to expanding sales of new, proprietary varieties, and their desire to make their company name more widely known. Since the variety name tends to get highlighted in retail displays and in price markings on produce shelves, consumers are more likely to become familiar with the variety names than with company names.

### **Perhaps Later**

Perhaps at some time in the future, as marketers continue to consolidate, one or more will become big enough to support a consumer brand in the way that the Wonderful Company has been able to promote

"Pom Wonderful." However, the Wonderful Company is owned by the billionaire couple, Stewart and Lynda Rae Resnick, who can afford indulgences that are not available to the typical agribusiness.

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