

Strategic Issues for Apple Executives

Product Differentiation and Innovation

Product differentiation has been standard marketing strategy for many decades. In the case of fresh produce items like apples, differentiation has usually been on the basis of attributes like origin, variety, grade, size, or other objective qualities.

The focus of differentiation was the consumer. In general, as consumers became more affluent they demanded greater diversity in the categories of fruit they ate and in their choice of varieties within each category. In the future, while the consumer will still be important, the focus of differentiation is likely to change to one of better meeting the competitive needs of retailers. Apple marketers will be called on for continuing innovation in how they differentiate their products.

Static Product Differentiation

In general, in the past, product differentiation has been static. That is, once a point of differentiation was established (for example, Gala versus Red Delicious apples, or New York McIntosh versus Ontario McIntosh, or organic versus conventionally-produced) that point of differentiation could remain unchanged for many years.

Today, both major and minor retail chains need to be able to continually differentiate their product offerings from those of their competitors. Chains desperately need ways to persuade consumers that they can get added value from patronizing their stores.

Dynamic Product Differentiation. Why Retailers Need It?

Retailers need "dynamic" product differentiation, where the value proposition is constantly changing, if they are to lure shoppers into their stores. In the past, retailers developed standard formats and selling strategies that were applied uniformly in all of their branches. The assumption was that consumers were relatively homogeneous, and would respond similarly to similar stimuli.

However, as consumers have changed and their wants have become more fractionated and less predictable, many major retailers have floundered as their formats and formulas were no longer appropriate to their customers. Fractionation among consumers is likely to continue as they gain more power to talk back to business through mobile phones, blogs, Facebook, Twitter, etc. Food retailers are increasingly losing control of the "story" they present to the public. They desperately need help from suppliers in regaining some control over their story.

Product Differentiation Not Foreign

Some produce marketers are already quite sophisticated in their use of product differentiation. For example, tomatoes now come in an ever-changing array of shapes, sizes and consumer packs. In Europe, many produce consortia are using regional brands to add value. (See related review article on page 7.) In recent years, the images of pomegranates and blueberries have been revamped.

There are also examples in apples. The club movement has emphasized the differences between newer varieties. Kiku has separated itself from mainstream Fujis. A number of marketers have targeted small apples for kids. In the sliced apple category, tie-ins with Disney and other entertainment companies have become common.

Imitating Successful Consumer Giants

However, to meet the emerging needs of retailers, successful apple marketers will have to invest in the sorts of activities that companies like Coca Cola, Hershey Chocolates and McDonald's use regularly to keep their products before the public eye. For example, part of Coca Cola's vision for 2020 is to "Deploy the World's Most Innovative and Effective Marketing." To compete, the apple industry will need to adopt a similar ambitious vision.

Coca Cola, McDonald's and Hersheys are all examples of companies that both continuously use sophisticated research to re-examine their role in a changing consumer landscape, and then respond rapidly by introducing product and marketing innovations that match their new roles. While they maintain their emphasis on fun and happiness, they are willing to incorporate the latest trends in fashion, sport and entertainment in their promotions.

Practical Implications for the Apple Industry

The most successful apple marketers will be those that take a more proactive approach to offering additional means of product differentiation. They will have to understand the changing ways of consumers and work with their retail customers in creating promotional themes, designing unique packaging, organizing competitions, arranging tie-ins with sporting events and entertainments, and in other strategies that will help both adapt.

They will have to acquire additional expertise in packaging, promotion and merchandising. They will have to design different programs for the needs of companies that serve different audiences, from Walmart discount stores, to upscale Whole Foods stores, to everything in between.

None of this will come cheaply, either in terms of personnel or money. Indeed, the steep cost of product differentiation and innovation may provide the apple industry with one more incentive for further consolidation, in order to achieve economies of scale in these dynamic activities.

First published in World Apple Report, Volume 19, Number 9, September 2013, page 1.