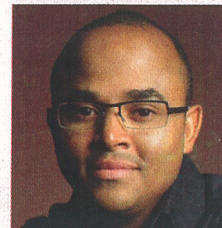


A New Value Equation

Product attributes will gain importance over brand names in a recession



FREDERIC BLAISE

The commercial context of today's recession is very different from the downturn of the 1990s. Back then, consumers migrated in massive numbers from national brands to private labels, sometimes giving up benefits offered by their preferred brands to save money.

This is "not another run-of-the-mill recession" said U.S. President Barack Obama, and the following factors will characterize the new value equation, which will influence the industry's competitive dynamic.

Value Brands Become Plus-Value Brands

The results of a recent national CROP study, unveiled in January, indicated that during tight times, product attributes are more important than brand names. This constitutes a wake-up call for national brands and, at the same time, an opportunity for a new generation of private-label products positioned in the mid- to high-end sector. Yesterday's low-value private labels will become today's plus-value private labels.

The majority of distributors have been successful in developing plus-value private labels and many have full product-development pipelines. The speed at which these products can hit supermarket shelves, along with their promotion, may offer retailers a competitive advantage.

National Brands at Value-Brand Prices

Smart shoppers can find national brands for almost the same price as plus-value private labels without significantly changing their shopping habits. It's a matter of purchase planning rather than cherry picking.

A study published by the Food Marketing Institute revealed that if shoppers had to go to a second store to get everything they needed, the chances that they'd go to a supercentre, club or dollar store, instead of a supermarket, rose significantly in 2008. Once there, they didn't just buy a single product; instead, they bought a list of specific items, which they continued to buy there at a lower price, along with impulse purchases.

This trend is expected to continue at the expense of conventional supermarkets judging by the ongoing overdevelopment of certain grocery categories at superstores and club stores, combined with the rise in the number of superstores and food categories.

National brands sold at value-brand prices isn't a new phenomenon. But now the shopping pattern that involves going to a second main store may lock in the retail price of national brands for a while. One way to break the pattern would be to develop a pricing strategy based on attributes rather than brand name.

Duty Becomes Pleasure and Overall Happiness

The task of eating well to maintain good health no longer implies a restrictive diet. In fact, keeping healthy looks a lot like the search for a lifestyle that favours well-being, pleasure and overall happiness.

Pleasure is synonymous with variety, and new products are everywhere. Categories such as milk products, sauces, condiments and beverages are being transformed by innovation. Consumers are more interested in the products around them and their buying processes have become more sophisticated. Food buying, now more than ever, is a high-involvement activity. The relationship between pleasure, health, well-being and variety is here to stay.

Shoppers will scrutinize the offer even more carefully and expect a stimulating variety that allows them to try new products and advance the cause of their personal well-being.

No Turning Back

The years of growth we've experienced have led consumers to try new products, shop at many stores and gain an understanding of their marketing strategies. Consumers' knowledge about food has grown along with their familiarity with ingredient lists. Their search for pleasure means that they are not about to compromise on their food choices. It's a golden opportunity to influence the brand/attribute/value equation. **CG**

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