

Branding in the Deli

By Richard Mitchell

Branding strategies that are developed in accordance with the unique shopper profiles of each retail location are crucial components of successful merchandising initiatives.

Enhanced competition among retailers and suppliers for share of the consumer's stomach is making the supermarket deli an increasingly crowded bailiwick of brands. Operators are displaying a plethora of products aimed at satisfying the cravings of shoppers from a wide variety of demographic categories.

A sophisticated and successful branding strategy, however, goes well beyond the superficial practice of marketing a mixture of items with the intention of satisfying a cross-section of shoppers. Retailers must first determine the specific customers they wish to attract, and then embrace the brands that convey an image that is in-line with those consumers' product preferences.

Such shoppers might be premium-, health- or price-minded, or looking for foods that convey freshness or quality. And their ideal brands—whether at the full-service meat and cheese counter, hot-meals section, grab-and-go case and prepared foods area—can be national, regional, local, private label or generic, based on the consumer's perception of the retailer and manufacturer. *Frequency Of Paying Attention To Brands—Deli Meats Or Cheeses From The Service Deli*

"Brands count only when they deliver the product attributes consumers are looking for in a specific price range," says Marcia Schurer, president of Culinary Connections, a Chicago-based food marketing and consulting company. "Retailers need to identify the right products to sell based on their clientele."

Schurer says deli operators

should typically focus on choosing items with specific attributes—and not necessarily particular brands—to merchandise in each area of the deli.

"It's not about the brand name, but the quality and performance," she says. "If the item is good, the brand counts. If not, it won't sell regardless of the name."

Some deli sections even can prosper without any national brand items, Schurer says. By not carrying branded items in the prepared foods section, for instance, retailers can project to shoppers that the selections were prepared in-store and are fresher, she says.

"Many consumers assume an item was made that day if it is unlabeled, even if it was scooped out of a big container," Schurer adds.

The Madison, Wis.-based International Dairy-Deli-Bakery Association reports in its study titled *Battle of the Brands: Winning the War in the Mind of the Consumer*, the vast majority of shoppers are more likely to rely on past store experiences when developing confidence in deli products. Additionally, many customers noted that product attributes and price are more important to them than the brand.

Still, brands also can be beneficial in many instances, and can help draw attention to a retailer's own brands. Companies seeking upscale shoppers, for instance, are likely to succeed by carrying well-know premium brands.

Offering store branded items at the same time, meanwhile, enables

the merchant to also appeal to shoppers who have a positive connection with the chain.

"It's important for retailers to have strong offerings of both branded and private label products in the service deli," says Jon Hauptman, vice president at Willard Bishop, a Barrington, Ill.-based consulting firm. "That way they can highlight the unique signature items that will differentiate them from competitors, while at the same time benefit from the power of brands."

Among the chains following such a strategy is Lakeland, Fla.-based Publix Supermarkets Inc., which even gives customers the choice of having private label or Boar's Head meats when ordering a fresh sandwich.

"Shoppers are sophisticated and are looking for restaurant-quality meals, and branded products can help establish a strong image for the retailer," Hauptman notes. "But the best solution is a combination of branded and private label to give shoppers the choice of getting whatever they want."

He adds, however, that offering too many brands, particularly at the full-service meat case, can result in customer confusion.

"You want to give shoppers the brands they are looking for without having them overwhelmed by duplication of flavors," Hauptman says. "It's a fine line. It might be best for retailers to carry just a mainstream and premium product rather than multiple lines. Consumers who get overwhelmed by variety don't give the store credit for making the effort to offer many choices."

Merchants, meanwhile, need to analyze the specific buying patterns of their individual shopper bases to determine the optimal array of brands to merchandise, analysts say. Stores that attract more cost-conscious customers, for instance, would benefit from private label and lower-tier brands. Retailers who cater to upscale consumers, meanwhile, typically should carry more national and regional-branded premium proteins.

"Brands play a significant role in the supermarket deli," says Sherwood McVeigh, brand strategist at Deskey, a Cincinnati-based brand and identity design firm. "The quality of a retailer's deli meats can create a halo effect on their store in general."

In a recent white paper, *Activating Consumer Brands in Foodservice Deli*, Eric Le Blanc, director of marketing for Tyson Foods Inc., notes that a sound branding strategy is crucial for the deli because consumers often choose their supermarket on the basis of their satisfaction with the perishables departments.

He adds, however, that "brand anarchy" reins in the prepared food sections of delis. While some products are offered with just a scale ticket and no brand identification, others only carry the store banner.

"The resulting brandscape is confusing to the consumer and denies the shopper the guideposts to quality, value and confidence that brands provide," Le Blanc states. "And most importantly, the decisions to activate a brand are very often made without reference

to consumer perceptions of brand within a given product category.”

Before activating a particular brand, Le Blanc says retailers should ensure that it will increase velocity and consumer confidence in the quality of the product, while decreasing price sensitivity.

Tyson, which has divided shoppers into seven behavioral categories, reports that several of the segments respond favorably to brands. They include the “labor of love” group, who provide food to their families as a way of showing love; and the “all about me” segment, who say they deserve a specific brand because they are worth it.

Another group, “pragmatists,” are most interested in a good value and are strong candidates to purchase private label goods, Le Blanc notes.

“Consumers are using brands as guideposts to quality and value, and retailers need to offer those items that will help them increase sales, get more for the product or enable them to build confidence for the shopper,” he says.

DIVERSE DEPARTMENTS

Yet, the importance of brands can vary within the different areas of the deli. For instance, while national and regional brands are often most in demand at the full-service meat case, they are less crucial in the merchandising of hot foods.

Many chains, including Bentonville, Ark.-based Wal-Mart Stores Inc., which markets rotisserie chicken in more than 2,000 Wal-Mart Supercenter and Neighborhood Market locations, display rotisserie meats in boxes that are unbranded or just carry the store moniker.

In many instances, merchants do not have enough space to carry—or the resources to support—a selection of brands. Peter Redmond, Wal-Mart vice president and divisional merchandise manager for deli and seafood, says the company does not want to risk alienating a customer who might not approve of the lone brand that might be selected.

“We want rotisserie chicken to appeal to everyone,” he says. “Our shoppers are typically quite vocal and they are not asking for a

specific brand of chicken. It is not an issue.”

Le Blanc, however—in making a case for branded rotisserie chicken—says Tyson research reveals that many customers would be willing to pay 50-cents more for a branded Tyson product, and purchasing frequency could increase 24 percent.

“Not everybody is clamoring for the branded deli, but if a retailer is able to carry three flavors of rotisserie, it could be beneficial to offer them in branded and unbranded varieties,” Le Blanc says. “Nobody will punish you and some customers will reward you.”

Though Wal-Mart only offers unbranded rotisserie chicken, the retailer extensively markets national and regional-branded items in other sections of its delis.

“Customers look for names in the meat and cheese case, but that is not true for us in some other areas,” Redmond notes.

The company, meanwhile, early this year began affixing labels with the “Deli Fresh” moniker to many of its unbranded deli items, including take-and-bake pizzas and prepackaged salads. Redmond says the logo is helping to generate more interest in the products.

He notes, for instance, that sales of take-and-bake pizza have been surging since Wal-Mart discontinued its use of branded products.

Still, Redmond says Wal-Mart’s formula is to lead with brands in areas when it is appropriate.

“It is easy to market and support branded products because they typically come with a merchandising budget that is financed by the supplier to support such activities as product demonstrations and the distribution of free-standing inserts,” he adds. “And it is critical that we carry the particular brands that are important to customers in specific regions.”

A PRIVATE LABEL PUSH

Indeed, with more retailers upgrading their private label goods, the store brand items are playing an increasingly prominent role in branding initiatives.

“Private label is growing faster than any national brand because consumers are looking for value,” Deskey’s McVeigh says. “It is a

great way for the deli operator to get more exposure. And in many cases, private label guarantees that the shopper will get the same quality of food as a national or regional brand for a much lower price.”

McVeigh notes that in some categories, such as ready-to-go salads, private label often is preferable to national or regional brands. “Customers often assume that the supplier-branded items were prepared at a far-away location and question the freshness,” she says.

“Retailers shouldn’t underestimate the value of the private brand, especially if it can be supported by the overall image of the organization,” agrees Eugene Fram, J. Warren McClure Research professor of marketing at the Rochester Institute of Technology in Rochester, N.Y. “Consumers in the deli are buying the value and trustworthiness of the brand. If the reputation of the retailer is strong, such as a Wegmans, private label is a good proposition, particularly because it carries a larger gross margin. But a marginal retailer that buys low-quality merchandise for private label won’t build that trust.”

However, Fram notes that many deli shoppers—particularly customers of conventional supermarkets—were more comfortable with national brands because the products are frequently advertised, which helps to create a perception of quality.

He recommends that retailers observe consumer behavior, interview shoppers, conduct surveys and study sales data before creating a brand merchandising strategy.

“Some customers value cost, while others prefer high-quality or specific tastes,” Fram adds. “Companies must understand what is valuable to their shoppers.”

Indeed, to better gauge such preferences, Dennis Whalen, vice president of marketing for Philippe Becker Design, a San Francisco-based branding design agency, says retailers also should study the brands being offered by their top six competitors, and analyze the interest being generated by the items.

Private label, Whalen agrees, also can be attractive throughout the deli if the store has a strong reputation

for freshness and quality.

“If consumers trust the store, private label is worth seriously considering,” he notes. “Because retailers control the private-label supply and production chain, they are able to capture margins along the way rather than giving them to suppliers.”

Private label deli products, meanwhile, are becoming increasingly prominent. In its Power of Private Label report, ACNielsen Global Services notes that refrigerated foods, including cheese, complete ready meals, and meat and poultry are among the most developed private label areas.

“Consumers, for the most part, have accepted private label as a branded product,” says Tim Ross, principal at Kendall Ross Brand Development and Design, a Seattle-based brand development firm. “And if people like private label, they equate it with the store.”

Indeed, as the quality of private label proteins are enhanced, more shoppers perceive the items as premium offerings. But acceptance still will often vary by region and store. Many consumers, for instance, who grew up with a specific local or regional brand still will favor the product regardless of the alternatives, analysts say. Other shoppers, meanwhile, will purchase whatever is on sale, or the items they equate with health and wellness.

Thus, the hardest decision for many space-challenged retailers is choosing which of their brands to eliminate—and how to alienate the fewest customers—as they add new private label products to their mix.

“Deli meats are a kind of signature of what a store is, so operators don’t particularly like to tinker with their offerings,” says Ed Jenkins, president of Gainesville, Ga.-based Coleman All Nature Deli.

“A primary consideration for retailers interested in adding to their brands is the size of their real estate, because most meat cases already are crowded,” Jenkins adds. “But the perimeter is becoming a more important grocery store destination.” **PLB**

Richard Mitchell is editor of Meat & Deli Retailer, where this article first appeared.