

STORE BRAND STRATEGIES *continued*

Brennan urged retailers and manufacturers to stop following the lead of national brand manufacturers, and instead become product and marketing innovators in their own right.

What follows is just a sampling of the store-brand-centric thought leadership circulating during the Daymon Worldwide Forum.

BREAKTHROUGH RESEARCH

Retailers may actually be hobbling the growth opportunities of their private label businesses, according to a groundbreaking study conducted by Daymon Worldwide, ACNielsen, and DemandTec, a San Carlos, California-based software provider.

The study, which spanned more than a year and involved over 200 stores at multiple retailers, integrated consumer

demand into strategic merchandising planning, to identify and resolve shelf inefficiencies and create optimal pricing strategies for branded and private label products. Among the several illuminating results: When it comes to the power of private label, many consumers seem to “get it” on a more sophisticated level than do most retailers.

“We actually made some discoveries that were contrary to current beliefs on private label pricing,” said Daymon senior director Kevin Steneckert during the event. “For example, increasing the price of private label products may in some cases actually increase volume sales at the



Milt Sender (left), chairman of Daymon Worldwide, poses with Danny Wegman, Lynn Palatas of Daymon, and Mike McCorry of Wegmans.

same time. Pricing should reflect the quality of products and consumer expectations, so increasing the price of some private label items may actually strengthen the image and competitiveness of both the brands and the retailer.”

Following were some other key findings from the study:

- Retailers have an opportunity to narrow the price relationship between private label and branded items. However, there’s a need for greater focus on premium private label offerings and/or the need to increase private label trial via in-store sampling, advertising, and features and displays.
- Private label is in a position to compete on quality with national brands: Approximately 85% of top-spend private label buyers say that they’re a good alternative to brands. 72% of consumers don’t believe that national brands are worth the extra cost. 68% of consumers believe that private label is an extremely good value.

BETTER MARKETING STRATEGIES

Many retailers are doing a bang-up job with their private label programs, but if they’re not marketing these products with the level of sophistication they deserve, those programs will never deliver on their true potential value, according to Daymon.

Todd Maute, vice president of Daymon, presented a compelling argument, and a multifaceted prescription, for enhanced store brand marketing.

“Over half of an average store’s 30,000 SKUs are exactly the same,” said Maute. “A national brand will come out with a new product, then the next brand, and the next; then private label versions of the product are launched.” ★

New name, same mission

MIATCO is now known as Food Export Association of the Midwest USA.

Chicago-based MIATCO, also known as the Mid-America International Agri-Trade Council, will now be known by a new name: Food Export Association of the Midwest USA. The new name will make it easier to associate the non-profit organization with food exporting and more accurately describes the programs and services offered by the association.

Food Export Association of the Midwest USA is a cooperative effort between 12 Midwestern state agricultural promotion agencies—Iowa, Illinois, Indiana,

Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin—and the United States Department of Agriculture’s Foreign Agricultural Service.

Even though it has a new name, the group’s mission remains the same. The organization offers programs and services to facilitate trade between Midwestern USA food producers and international importers by:

- helping you locate potential suppliers;

- arranging for you to meet with suppliers through participation in its activities;
- providing funding to support marketing expenses; and
- sponsoring retail and foodservice promotions.

Importers have much to gain, as the Midwest is one of the world’s leading food-producing areas. Midwestern farmers harvest more than one-third of the world’s grain, as well as oilseeds, beans, livestock, dairy products, fruits, and vegetables.

Through an innovative strategic alliance with Food Export USA – Northeast,

Food Export Association of the Midwest USA provides the link to thousands of processed food and agricultural products made in the USA. ★



For more information:

For more information about participating in activities, visit www.foodexport.org and www.foodexportusa.org.

Calendar of Events

NOVEMBER

8-10: IFE Americas – 9th Americas Food and Beverage Show*
Miami, Florida
Miami Beach Convention Center
www.americasfoodandbeverage.com

12-14: Private Label Manufacturers Association*
Chicago, Illinois
Rosemont Convention Center
www.plma.com

JANUARY

14-17: National Retail Federation Convention & Expo
New York, New York
Jacob Javits Convention Center
www.nrf.com

21-23: National Association for the Specialty Food Trade (NASFT) Winter Fancy Food Show
San Francisco, California
Moscone Convention Center
www.fancyfoodshows.com

31-February 2: CIES International Food Safety Conference
Munich, Germany
ArabellaSheraton Grand Hotel Munich
www.ciesfoodsafety.com

FEBRUARY

19-22: Gulfood 2007 Food, Hotel and Equipment Exhibition and Salon Culinaire*
Dubai, United Arab Emirates
Dubai International Convention and Exhibition Center
www.gulfood.com

* Food Export Association of the Midwest and Food Export USA-Northeast will be at this show.

NEW PRODUCTS



Chef's magic mixes

The “magic” in Magic Seasonings Blends comes from Chef Paul Prudhomme, a renowned American-born chef who has been honored as “Culinarian of the Year” by the American Culinary Federation. Magic Seasonings Blends manufactures 16 all-natural seasoning blends, four magic sauces and marinades, seven magic chiles, and magic pepper sauce for retail and foodservice applications. Custom blending and co-packing services are available. All products have no MSG, no additives, and no preservatives. All are kosher approved. Find out more by visiting www.chefpaul.com, or contact John McBride at jlmc@chefpaul.com or (504) 731-3578.

Berry healthy

With an expertise in cranberries, Carver, Massachusetts-based Decas Botanical Synergies (DBS) develops value-added ingredients based on the cranberry for functional foods and other industries. One of its most popular items is NutriCran 90, a spray-dried cranberry powder standardized to a minimum of 90% cranberry fruit solids and 35% organic acids, which offers a convenient, low-calorie alternative to cranberry juice beverages. NutriCran 90 is 100% water soluble and contains unique health properties, such as support for a healthy urinary tract. Learn more by visiting www.decasbotanical.com, or contact Judy Duane at jduane@decasbotanical.com or (508) 295-0147.




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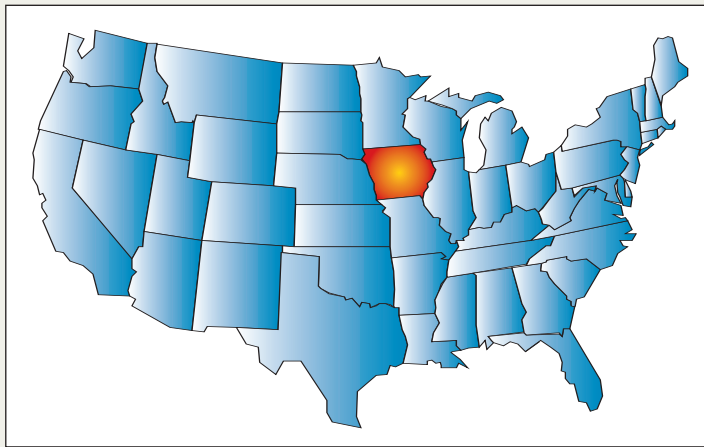
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STATE SPOTLIGHT: Iowa



✓ In 2004, Iowa exported more than \$3.7 billion in farm goods, according to the U.S. Department of Agriculture. In 2005, \$7.3 billion in manufactured/value-added foods were exported, according to Global Trade Information Services.

✓ Since 1995, Iowa's total exports of farm goods and manu-

factured/value-added foods have exceeded \$7 billion every year.

✓ An estimated 1,500+ Iowa companies currently export their products and services.

✓ In 2005, the top five importers of Iowa manufactured goods were Canada, Mexico, Japan, Germany, and United Kingdom.

TOP AGRICULTURAL EXPORTS:

MEAT

Total value: \$553,919,448

CEREALS

Total value: \$239,575,865

ANIMAL FEEDS

Total value: \$234,749,406

OIL SEEDS

Total Value: \$192,024,961

SWEETENERS

Total Value: \$61,138,598

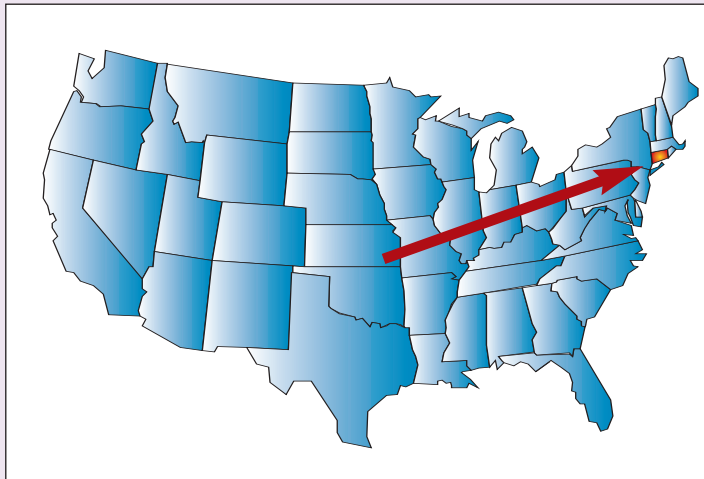
FATS & OILS

Total Value: \$52,606,271

PREPARED MEALS

Total Value: \$43,875,761

STATE SPOTLIGHT: Connecticut



✓ The Connecticut Grown program was developed to distinguish Connecticut products through the use of a logo in 1986. The program's mission is to market Connecticut agricultural products in many different avenues.

✓ Connecticut's specialty food businesses are diverse in terms of value-added products and size of operation. There are more than 450 companies throughout the state.

✓ The traditional maple sugaring season in Connecticut extends from early February until late March, depending greatly on the weather.

✓ The Maple Syrup Producers Association of Connecticut, Inc. holds informational meetings in January and November, and publishes a newsletter called "Drop in the Bucket."

TOP AGRICULTURAL EXPORTS:

PREPARED FOODS

Total value: \$42,304,479

CEREAL & MILK PRODUCTS

Total value: \$10,574,489

SWEETENERS

Total value: \$10,141,276

FRUITS & NUTS

Total value: \$6,736,924

OIL SEEDS

Total value: \$6,501,113

COFFEE & SPICES

Total value: \$6,438,683

FRESH FOCUS

A newfound mission to innovate in a tough market has given rise to a fresh new A&P format.



The Great Atlantic & Pacific Tea Company (A&P) has entered a new chapter in retailing. The Montvale, New Jersey-based supermarket chain, which was once the United States' leading grocer, is now limited to 400 stores in nine states.

Yet the company's leaders are committed to upgrading its store base, especially in its core market, the highly competitive and fragmented New York metropolitan area.

To that end, three distinct formats have evolved: fresh, discount (under the Food Basics banner), and gourmet.

"Our conventional stores...will all disappear," explains A&P president and CEO Eric Claus, who left the helm of A&P Canada, the company's star division until its sale to the Canadian division of German retailer Metro last year, to take over stateside in August 2005. "They'll either close, convert to fresh, or convert to discount...except for The Food Emporium stores, which will all go very, very high-end."

FRESH PROTOTYPE

A&P's prototype fresh store, located in Midland Park, New Jersey, is a combination of the best things from Canada and the United States, notes Claus. The decor, which is very contemporary, is all Canadian. The renovations stress a certain uniformity in

interior design: Claus observes that A&P's Germany-based parent company, Tengelmann Group, recently opened three fresh-format stores in Cologne, Munich, and Berlin. "You'd walk in and see exactly this, only smaller," he says.

However, the concept goes well beyond a mere change of scenery. As Claus explains, "The whole idea here is, as soon as you walk in, you've got to get the idea that you're walking into a fresh market, and it can't just be the look, it's also got to be the product, the feel, the quality."

Those attributes are all on display the moment one enters the overhauled Midland Park store, which has reigned as the chain's top-volume store since the first week of its February 2006 reopening.

What initially grabs the eye in produce is a wall bearing cut fruit prepared in-store and many varieties of packaged salads. "Most supermarkets, when you walk in, have a wet wall," observes Claus. "It's sexy, but it's a dying business. Everybody wants everything packaged now. This is where the money is."

According to produce manager Mario Giorno, more than 160 organic items are available in the department, which places a particular emphasis on local farmers and such seasonal items as summer stone fruits. Rather than being shunted off into their own section, organics are integrated

among the other produce items, flagged by colorful informational signage.

In the deli, customers encounter an array of ready-made salads, high-quality sandwiches, pizza made on premises, and prepared meals. More than 250 gourmet cheeses are available in the section's Cheese Shop, including a dense Rembrandt Aged Gouda being sampled in deference to the surrounding area's consumers of Dutch descent. Future prototype stores will feature an even larger cheese section, according to Claus.

Both the seafood and meat sections in this store are larger than A&P's standard departments. Business in seafood is up a staggering 50% since the reopening, thanks to such fast-moving items as herb-crusted fish fillets for people who don't want to cook a meal entirely from scratch, and Maryland-style crab cakes.

PRICE BREAKS

The concentration on perishables in A&P's fresh stores doesn't mean prohibitively high prices, as one might assume. "The store has to be competitive," says Claus. "It can't be priced like a Whole Foods. So it's very important to us that the store's about fair price, about good value for what you're getting."

Since the format's focus is on fresh, that also means a fresh take on center store. Says Claus: "One of the areas in supermarkets that's been boring, [where] nothing ever changes, is center store. The consumer packaged goods companies try to do a lot of innovation, but new products just sort of sit on the shelf, so we said, 'We've got to make center store a little bit more exciting.'"

One way of doing this is to change how product is presented. "What we did was, within our units, to try to play a little with the shelving, so you see throughout the store the metro racking is inset onto gondolas, so whatever's on metro racking is always a little special."

Another new feature is the addition of "street signs" that show shoppers exactly where certain items are within a given aisle.

Although the store is already a big hit, Claus notes of store development, "It's a constant evolution. You've got to keep it going all the time." ★

NEWS BRIEFS

Burger King Holdings, Inc. continues to focus on global growth. The company's worldwide net restaurant count increased by 25 restaurants in fiscal year 2006. Its expansion included 201 new restaurants in the **Europe, Middle East, and Asia Pacific** segment (EMEA/APAC) and 89 new restaurants in the **Latin America** segment. In fiscal year 2007, Burger King expects to open more than 250 new restaurants in EMEA/APAC, more than 80 new restaurants in Latin America, and more than 100 in the **United States and Canada**. Approximately 90% of Burger King restaurants are owned and operated by independent franchisees, many of them family-owned operations that have been in business for decades.

Tesco's **Irish** operation is slashing prices on items previously controlled under the Groceries Order, an order that made it illegal for retailers to sell any good below the invoice price. (The order, which has been revoked, was initially set up to avoid the negative impact of price wars.) Tesco expects to reduce prices on all 10,000 items

previously controlled by the Groceries Order by early 2007. Tesco said that shoppers will see an average reduction of 4.7% on these products, with prices of some items reduced by 10% or more. In other Tesco news, Tesco Lotus in **Thailand** has said that it is committed to spending a further \$182.1 million next year on new store openings, to include 100 Tesco Lotus Express outlets.

With a projected outlook of more than \$11 billion in sales from leading chains for the year, fast casual dining is serving up strong growth within the restaurant industry, according to a recent report from **Chicago, Illinois**-based data provider Mintel. The report estimates that total U.S. system-wide sales of leading fast casual chains doubled in the last five years, and the future continues to look bright

for the category. The category has been able to successfully blend the quality of family casual with the convenience of fast food, appealing primarily to adults. "An increased interest in healthy eating, ethnic cuisine, and premium ingredients largely explains the boom in market growth," says Bill Hulkower, analyst for Mintel.

In a fresh approach to consumer education, the Kroger Co., based in **Cincinnati, Ohio**, has launched a Web site that provides information on all the produce that it offers. Dubbed MakeTheMost.com, and with the tag, "make the Most of Your Produce," the Web site offers recipe suggestions, nutrition information, preparation tips, video demonstrations, and storage

guidelines. The site can be accessed from Kroger's main homepage (www.kroger.com) as well as directly.

Denmark's Fakta discount and warehouse clubs have deployed 1,500 fingerprint scanners across approximately 350 stores. The scanners, which replace magnetic employee cards, will provide secure employee access to every cash register. Checkout cashiers and managers now use their fingerprints to log into the cash register system, eliminating the need for employee cards that can be lost, forgotten at home, lent out, or borrowed. The cash registers add further security by logging out employees after three minutes without use, requiring just seconds for a cashier to log back in with a quick swipe of a finger.



Functional beverages

One of the latest areas of innovation in the ready-to-drink beverage category is "functional beverages," or drinks fortified with added vitamins or supplements to promote specific health benefits.

Immune health was a key driver in this prod-

uct segment in the first half of 2006, according to Zenith International, a global consultancy based in the United Kingdom. Of 120 new functional beverages tracked by Zenith International in the first half of the year, 24% placed emphasis on their potential to strengthen the immune system.

Key immune health priorities being targeted by manufacturers include digestive health, physiological stress, and cellular function. Consumers seem to be responding enthusiastically, as evidenced by a marked rise in the sales of drinks based on probiotics; green tea; antioxidant "superfruits" such as pomegranate, acai, acerola, noni, and mangosteen; and other fruits such as blackcurrants, blueberries, and cranberries.

U.S. Foodlink is online!

Questions about U.S. foods? Visit www.usfoodlink.com to learn more about issues that affect consumers' buying decisions in the foodservice and retail industries. The Web site brings you information on the latest news including market trends, market research, trade events, and programs that may assist you in finding new suppliers and continue your interest in U.S. foods.

The U.S. Foodlink Web site, newsletter, and e-mail bulletin are all brought to you by the Food Export Association of the Midwest USA and Food Export USA – Northeast, two state regional trade groups located in the U.S. that promote exports of U.S. food and agriculture. Through a partnership with *Progressive Grocer* VNU and The Food Institute, U.S. Foodlink was created to provide readers credible data and information in an easy-to-read format.

Persons in the U.S.: Food Export Association of the Midwest and Food Export USA prohibit discrimination in employment and services. Persons with disabilities who require alternate means for communication of program information or to request our full nondiscriminatory policy, please contact us.



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STORE BRAND STRATEGIES

Strategy broker Daymon Worldwide sheds light on the future for store brand growth.

Private label strategies show no signs of slowing, as retailers around the globe look to capitalize on their own brands for increased sales and new marketing opportunities. Globally, private label goods are outpacing manufacturer brand growth by more than 2 to 1, according to ACNielsen. A new study from IGD, the international food and grocery research firm, estimates that private label food and grocery products will account for 26.8% of the market across Europe by 2010, up 45% from today's 298 billion euros. Meanwhile private label supermarket sales in the United States reached \$40.9 billion in 2005, an all-time high, according to PLMA (Private Label Manufacturers Association), a New York-based trade group.

To address the trend in a deeper context, Stamford, Connecticut-based Daymon Worldwide, an international company specializing in the sales and marketing of private label consumer products, held a special event earlier this year coinciding with the Food Marketing Institute's Supermarket Show in Chicago.

Milt Sender, Daymon's co-founder and chairman, addressed the packed audience of high-level retail executives and top

manufacturers. "Private label today is a science, but it is still an art. We can forecast by the item what a customer will sell by looking at the data from all our other customers, but that presumes comparable packaging, prices, placement, promotions—and all of that is the art." The key now, he said, is that "these artistic decisions can be reached through science."

Even more essential, emphasized Sender, is that the main players in the private label game work in more sophisticated collaboration, following a unified vision for store brand strategy. "If we do not find ways to share information, we will all leave something on the table," he said. "Each has a lot more to share with each other, not across a desk, but all three together at a round table."

The two-and-a-half-day event was packed with presentations of hard data, as well as strategic insights pointing toward opportunities for private label growth in the immediate future and beyond.



Daymon Worldwide's Steve DelGiorno introduces Mike McCory (far right) of U.S. chain Wegmans to executives from Lotte Korea.

It's clear that the stage is set for store brands to ascend. Private label is already the No. 1 seller in 240-plus grocery categories, which comprise about a quarter of all categories in the store, according to Peter Brennan, Daymon's president. But, he noted, "Do we treat them as the leading brand?" Brennan added that the industry has been missing out on key opportunities to leverage the fact that store brands dominate such a large chunk of business in the store.

continued