



Finding Occasion-Based Growth for Legacy Brands



In a mature packaged food/beverage marketplace, the corporate battle is primarily for greater market share of a slowly growing pie. For established legacy brands, the importance of stretching the reach of your portfolio across the mainstream consumer's eating day is more important than ever. Occasion-based strategy is your number one asset in stabilizing or growing the brand.

In our experience in food and beverage, smart occasion-based strategy addresses the following key questions:

- Where is your portfolio of categories positioned today in the landscape of eating occasions?
- Where is your actual revenue positioned in this landscape?
- Where should your business extend with marketing or new product development?
- How do you grow your portfolio to minimize cannibalization of your businesses across the eating day?

The challenge with most occasion strategies today is that they are overly simplistic and/or reactionary. The majority of strategic plans focused on occasions concentrate simply on adding dayparts to the marketing or new product development mix of a brand or product line in reaction to a competitor's move. This is not necessarily wrong or unhelpful. However, it fails to align marketing and new product development to a critical set of consumer distinctions that facilitate the success of occasion-based strategies.

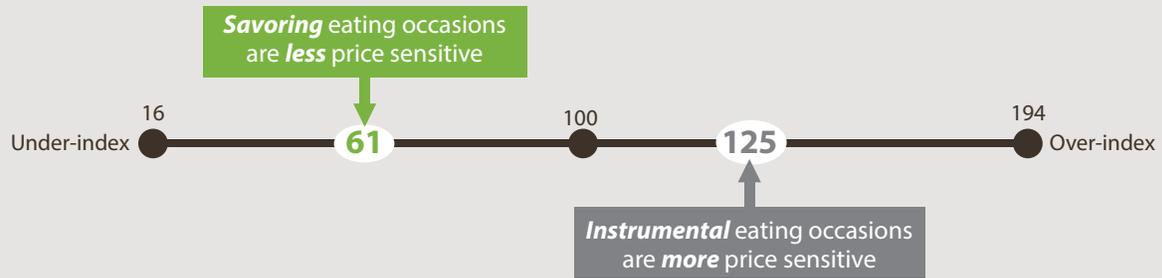
These distinctions are twofold: a) where the snacking occurs in relation to the consumer's pantry and b) how likely they are to trade up, based on the cultural rhythm of the dominant eating occasion the category serves.

Occasion-based snacking strategy that works is therefore tied to two continua that, when analyzed together, help focus decision makers on appropriate marketing and product design distinctions necessary to capture share.

- **Home vs. Away from Home:** this distinction affects both product design and channeling strategy for a product. Certain categories have become seen as highly appropriate for out-of-home consumption (e.g., dried fruit) vs. in-home consumption (fresh-cut fruit). Many out-of-home positioned categories require nontraditional channeling strategies to reach the consumer right before they eat or simply to trigger an impulse purchase for out-of-home consumption.
- **Instrumental occasions vs. Savoring occasions:** Several years ago we developed an algorithm to distinguish the eating occasions where the price of goods going into the occasion was not a big concern vs. those where it was. What we found is that this simple distinction, of great importance to marketers, is correlated tightly to whether or not the consumer has a strong intent to enjoy or savor their food. Categories oriented to Savoring (e.g., BBQ sauce) typically show an ability to drive high prices for legacy brands in the marketplace.¹

¹Brands priced 25% or higher above the category-weighted average are growing 10% \$ CAGR from 2011-2014, which is four times the average for packaged food as a whole and almost three times the category average; Source: AC Nielsen, week ending July 7, 2014, Hartman analysis.

FIGURE 1. PRICE SENSITIVITY AND CONSUMER EATING OCCASIONS



Source: Hartman Eating Occasions Compass, 2014; N=21,861 adult eatings

When we put these powerful strategic criteria together into a mapping tool, we observe the following overarching strategic positions of value to marketers:

1) The all-occasion position:

categories (e.g. potato chips) positioned in the dead center of our mapping tool demonstrate a cultural affinity for virtually any eating occasion. These are the most flexible categories with the biggest potential. A strong portfolio needs categories or product lines operating here to maximize both distribution and share of eating potential.

2) The broad-quality position:

in this position, categories (e.g. fruit snacks) have the ability — indeed, the imperative — to offer a broad array of differently priced items anchored to differing levels of quality. This maximizes the company’s ability to generate not only top-line revenue but also the ability to capture distinct market segments within a category and to avoid becoming reduced to a purely deal-based, commodity brand.

3) The broad-distribution position:

in this position, categories (e.g. cookies) have the necessity and ability to focus on a broad channel strategy to maximize top-line sales. This can occur in both Instrumental- or Savoring-oriented categories with different pricing thresholds. Moving your business into this strategic position from one of the four quadrants is a powerful growth move that can necessitate both new product development and new sales/channeling strategies.



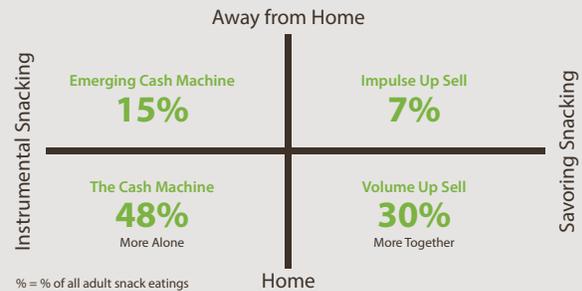
While most categories live in one of the four quadrants, individual brands can extend their lines into other strategic positions in defiance of category norms. This is a critical form of occasion-based strategy and innovation.

How? The following is a brief case study illustrating how we deploy this perspective to craft occasion-based strategies that build off your existing base and point to critical, incremental opportunities.

CASE STUDY – SNACKING STRATEGY

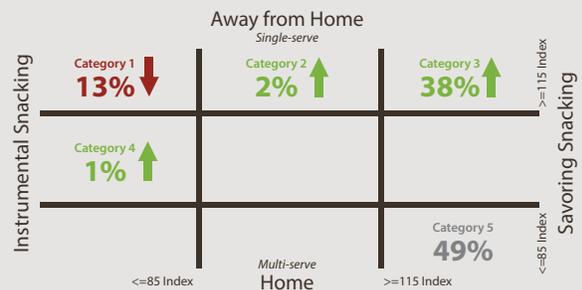
1. Mapping the Snacking Landscape

The vast majority of eatings orient to Instrumental at Home occasions, but a crucial secondary area is the Savoring at Home occasions, where the ability to price high is greater. Think of that summer BBQ as an iconic example of this specific marketing space.



2. Mapping Client's Snacking Revenue Situation Onto the Landscape

By taking past 52 week sales data for the client's own brands in these categories, we can map both a) the proportion of the client's revenue and b) the generally volumetric demand trend in the category (e.g., flat, declining, growing) to truly understand where the client's business is positioned in both culture and top-line financials. This allows us to establish strong priorities for strategic advice.



3. Key Findings

- No all-occasions snack category/product line
- No product line focused squarely on the Cash Machine quadrant, where so much of the behavior is occurring
- Not enough % of revenue is coming from growth categories (green)
- Majority of snacking revenue is headed to infrequent occasions
- Majority of snacking revenue is headed to price-insensitive occasions
- Dominant line of business (Category 5) is flat due to the specific format being off-trend for Savoring at Home

4. Top Priority Strategic Recommendations for the Client

- Invest in more categories with long-term structural growth (through M&A or through adjacency extensions)
- Develop a premium home play for Client's brand in Category 3 and channel via FDMx to get there
- Get Category 5 out of the house through innovation aimed at more everyday occasions and out-of-home channels
- Extend brand in Category 5 onto the Cash Machine segment through marketing/product development
- Leverage brand in Category 4 to grow quickly in the Instrumental at Home segment through marketing and/or new product development

5. Results

- a. The client was able to filter through existing new product pipeline and weed out those that did not meet our strategic priorities
- b. The client realized they had at least two marketing campaigns they could run off their largest categories and pursued them after working with us
- c. The client pursued M&A prospects in ambient shelf-stable snacks to purchase more reliable growth to counterbalance problems posed by Category 5's stagnant situation

If you are interested in understanding our capabilities further, please contact Shelley Balanko, Ph.D. at shelley@hartman-group.com

