TRENDS

‘Premiumization’ A Prime Strategy, But...

Report from Hartman says that upgrading, or ‘premiumizing,’ long-standing food brands is trickier than it may seem.


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“Premiumization” is a strategy available to revitalize food brands, but it’s no panacea, according to the latest edition of Hartbeat Exec from The Hartman Group.

The report, “To Premiumize or Not to Premiumize,” was written by Laurie Demeritt, CEO of The Hartman Group, and James Richardson, Hartman’s senior vice president for knowledge and innovation. It looks at how legacy brands can be refreshed through upgrades or enhancements.

The report notes that “the first premium attribute to spread across the entire [food] industry has actually been the most difficult one: the concept of ‘natural’ processing without artificial or synthetic additives.” The authors state that using “natural” as a justification for charging a premium price is problematic, because “consumers are still not indicating a lot of willingness to pay more for purity by itself.”

The report proposed key issues to consider when considering premiumization of a long-established food brand, and gave case studies where this has been done with relative success.

The issues basically revolve around whether the brand’s history—its “legacy”—is truly compatible with the proposed upgrading strategy. Legacy brands obtain what the report calls “multiple meanings,” based on usage occasions, flavor experiences, perceived value and other factors. Some of these can work directly against premiumization, such as having a reputation as the cheapest alternative or polarizing consumers “between a minority of loyalists and a majority of haters.”

In any case, the very fact that a food brand has a history can work against its potential to be premiumized.

“Premiumized legacy brands don’t generate the level of intense viral word of mouth that brands born premium do,” the report states. The problem is even worse for “iconic” brands, which the report defines as “brands [that] signal flavor/texture expectations directly to the consumer unmediated by category context and category symbolism/meanings.” It gives as examples Spam, Kool-Aid and Miracle Whip, saying that their consumers “don’t buy them as participants in a category (other than food or beverage), so the concept of trends is not relevant to the consumer.” In addition, the report raises the possibility that upgrades may be too expensive, raising the cost of the product beyond what established consumers are willing to pay.

The report gives several examples of established brands that managed to increase sales through judicious premiumization.

Frito-Lay began to phase out all artificial colors, additives and other substances from its potato chips starting in 2010. This followed moves like launching a kettle-chips line in 2000 and removing trans fats in 2003. This allowed Frito-Lay products to stay slightly ahead of the sales growth for the category as a whole from 2011 on (17 percent vs. 15 percent), and, perhaps more importantly, allowed them to introduce exotic flavors, an important growth driver in salty snacks. “Had the brand not purified its base franchise standard, launching these new flavors could have caused an untimely backlash or, less dramatically, hurt consumer uptake significantly,” the report says.

The Nature Valley brand of General Mills built a strong presence as a granola-based snack after being established in the 1970s. The report calls it “an advantaged legacy brand,” and it used that advantage in a line extension of nutrition bars launched in 2012. It reached No. 2 in the nutrition bar category in just three years, with sales of more than $135 million. In large part, it accomplished this through what the report called “just one easy-to-understand nutritional attribute”: protein. Nature Valley was able to ride protein’s appeal across multiple food markets to quick success—something the report calls “a luxury few brands moving forward will probably ever have again.”

Heinz Kraft’s Maxwell House was converted to 100 percent Arabica coffee beans, from the less premium robusta, in 2007. Sales promptly rose 15 percent a year from 2008 through 2010. They stalled in 2011, but as the report notes, “it has stalled at a better volume and gross sales level than in 2006.” The report goes on to note that “this is probably the best long-term performance one can expect from a single-attribute premiumization effort,” especially since Arabica coffee has now become thoroughly mainstream.

To access a copy of “To Premiumize or Not to Premiumize,” click here.

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