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Branding of Fresh Fruits and Vegetables (FFV): An Overview

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Abstract

Households today are comprised of time-starved persons working outside of the home who have less experience shopping for and distinguishing between ready-to-eat fruits and vegetables and ones that may be overripe. The agricultural commodity industry needs to focus more on profits, less on value, and must change with the consumer....In short, a branded approach is needed. The challenge is to create a brand for perishables like fruits and vegetables as a brand. The physical possibility to brand and shelf-life are important for making a fruits and vegetables as a brand. There is growing recognition that branding promotes future financial growth and prosperity for agricultural companies and for agribusiness in general. Fresh Produce is regarded as the most important department of supermarket and retail stores. It is the first thing the consumer sees when entering the store and sets the scene for the entire shopping experience. For this reason, there have been increased supply chain efficiencies, product promotions, promotions to raise awareness of health benefits. In today's retail stores, fresh produce is marketed as a commodity product and consumers treat fruit and vegetables as commodities with little perceived value. Using brands can change the way that consumers view fresh produce to increase its perceived value and therefore increase rupee value and increase sale volumes.

Key words: Fresh Fruits and Vegetables, Branding, Retailing in India.

1. Introduction

Fresh food products are the important element in retail sales and profits. Meat, vegetables and fruit, bread and dairy products offer substantial possibilities for retailers to differentiate their stock. Fresh food counters contribute significantly to the store's image (Zimmer and Golden, 1988) and positioning (Nijssen et al., 1995). In the light of this importance, it is surprising to find the marketing of these products still to be at a relatively unsophisticated level. In particular, most fresh food products are still sold unbranded and are largely treated as commodity items.

Although brands are relatively common with most grocery products, they are not common with fresh fruits and vegetables (Kohls and Uhl 1990:488 ; Loch 1997:1; Trijp and Meulenberg 1996:286). The brand is usually attached to the product itself; examples include a tag tied to it or an adhesive sticker (Milgate 1994:20).

In some cases fresh fruits and vegetables are packed in appropriate sized containers to which the brand maybe attached.

Research has reported that virtually all buyers (96%) prefer the ability to select products from a bulk display over pre-packaged products (HRDC 1990:50); however, not all fresh fruits and vegetables are sold loose in a bulk display. An example of a situation where buyers prefer the product to be packed is the grape 'bunch bag'. This highly convenient 'pick up and take away' plastic bag full of grapes is very popular with buyers (Anon. 1998:66).

There is, however, a growing recognition that applying mainstream marketing principles to agriculture may be an important way of stimulating financial growth to agribusiness (Wierenga et al., 1997). Branding may be one important way to add value to the food product, to differentiate the food product and to escape price competition (Steenkamp, 1997). A brand helps to position a product and facilitates communication with consumers. Brands have the ability to create consumer franchise, which can be defined as consumers' awareness of, their favourable attitudes towards, and their willingness to (re) purchase a brand, a concept similar to that of Brand Equity (Aaker, 1991; see also Van Trijp et al., 1997).

There are many attempts to develop consumer brand loyalty for fresh vegetables and fruit, long considered as non-brandable products (Kohls and Uhl, 2002). Some brands of the fresh products, aiming at a positive consumer's perception, indeed exist, like Chiquita or Delmonte. 'Tasty Tom', a tasteful tomato variety, has some attributes of a brand and it achieves a slight higher price on the market (Wertheim-Heck, 2003). However 'Tasty Tom' is aiming at resellers and therefore not a consumer brand, despite the fact that a remarkable number Dutch consumer recognizes it as a brand. 'Taste Tom' is a trademark for business-to-business marketing. Branding for business-to-business marketing can therefore be an option for farmers to get a higher share in the consumer dollar.

A brand serves as shorthand for previously experienced quality and thus facilitates repurchase. By increasing awareness, likeability and repurchase behaviour, marketers improve consumers' preference, loyalty and thus consumer franchise for a brand. Empirical research into the determinants of consumer franchise through the branding of fresh food products is still relatively scarce (Van Trijp et al., 1997 for an exception in the context of quality labelling) and insights into the financial performance of fresh brands at the supply and retail level are limited.

Many horticultural brands have been established in recent years around the world. According to Bunte (2009), the Dutch horticulture sector has developed brands during the past decade such as Tasty Tom, Les Meilleurs (strawberries), Salanova (lettuce), Tinkerbell (sweet peppers) and Koppert Cress. In the United States, horticultural brands currently in the market include Sygenta flowers, Proven Winners®, Novalis® Plants that Work®, Garden Splendor®, among others.

2. Fresh Produce; Differentiated Product or Commodity

Brands can be used to change the way that consumers perceive fresh produce. Currently, the way it is retailed causes consumers to realise that fresh produce is a commodity. The addition of brands can change a commodity product to one of differentiation and therefore, increase the perceived value of fresh produce to the consumer without actually changing the product itself. “A brand is a product that a consumer will pay more for than he or she would pay for a commodity in the same category.” (Carey, S. 2009) This indicates that a consumer will perceive a branded fresh produce product differently than they would a non-branded fresh produce product.

Jogia Diamonds International defines brands as “a representation of both the functional and emotional aspects of a product as well as the emotional recognition that comes with the brand.” In 2008 Jogia Diamonds released its first branded Diamond – Crossfire – and noticed an increase in sales within a month. The company describes the difference between selling diamonds as diamonds and selling branded diamonds as being phenomenal. (Jogia Diamonds International, 2008)

The same philosophy can be applied to fresh produce where currently, fresh produce is simply being sold as fresh produce instead of elevating its status to recognised brands and allowing consumers to distinguish between those brands. Farm A might produce the best oranges but if consumers don’t know who farm A is then the entire supply chain for those oranges is not at peak potential. Recognition of brands will allow supply chains to take advantage of good performance.

3. Why few organizations are in to branding FFV?

There are a number of organisational reasons why there are so few brands on fresh fruits and vegetables.

Firstly, there is an absence of material differentiation between the products provided by competing suppliers (Riezbos 1994:62; Yabsley 1994:5). This maybe a consequence of the inability of the competing suppliers to reduce the variations in quality, that is, fluctuations in determinant attributes, for many fresh fruits and vegetables.

Secondly, a brand requires investment. For example, it is costly to put brand labels on each individual banana (Borrell et al. 1993:32). So the decision to invest in a brand would be expected to at least recoup the cost of that investment in terms of increased product price, increased product sales or a defensive position such as maintenance of market share in a declining market. It has been reported that the existence of a brand does not lead to a higher price for fresh fruits and vegetables (Pay et al. 1996:17). However, these authors suggest that the existence of the brand may have led to an increased market share.

Thirdly, those who pay for the brand may not be those who reap the benefit. In the fruit and vegetable industry, with many retail outlets and many organisations involved in the supply chain, the motivation for any individual organisation to invest in a brand, when other organisations may also benefit from this investment, is likely to be limited (Borrell et al. 1993) . For example, it has been suggested that producers pay for the cost of putting brands on individual products without receiving a higher price for their products (Batt and Sadler 1998:1).

4. Supply Chain and Branding

The traditional definition of a brand is that a brand guarantees consistent features, quality and performance to consumer. This view is based on the mistaken assumption that brands have no relationship with resellers (Webster, 2000). The values of brands for the chain partners are summarized in Table 1. On each level of a chain benefits of brands can be identified. Despite the fact that Webster is eventually focussed on the consumer, his analysis can also be used for business-to business brands. The wholesalers can support retailers with private labels. In the United States there are more private labels than national brands. In European supermarkets a higher share of private labels result in higher profits (Quelch and Harding, 1996).

Table1. Value brands to chain partners

	Manufacturer	Wholesaler	Retailer	Consumer
Benefits	-Higher sales volume -Lower production costs -Easier new product introduction -Relationship of trust with consumer -More control over resellers	-Pre established demand -Lower selling costs -Higher sales volume -Better inventory turnover, use of warehouse space	-Image enhancement for retailer with consumer -Manufacturer’s commitment to promote the product -Relationship of trust and credibility with customer -Lower selling costs	-Implicit quality guarantee -Lower perceived risk -Lower retail price with higher volumes -Prestige with brand image

Cost	-Higher costs of advertising -Higher sales promotion costs associated with interbrand competition	Costs of selling and stocking multiple brands in the same category.	-Less control over relationship with consumer -Difficulty of allocating shelf space among multiple brands -Lower margins than on store brands	Higher retail prices associated with advertising and promotion activities.

(Source: Webster, 2000)

Industrial branding can be a mean to achieve an optimal supply chain structure: a major goal of firms in the future (Lancioni, 2000). The benefits of such a cooperation are more or less comparable with the benefits mentioned by Webster (2000) in Table 1. The strategic goals of chain participants are than focused and this will facilitate trust between them. Ballou et al. (2000) demonstrate the theoretical benefits of managing interfunctionally or interorganizationally by different participants in a chain. The difficulty remains in achieving these benefits. Balancing the benefits and sharing the information will be the challenge for supply managers. The trust between grower and market agents as most important. Growers act mostly with more than one agent. Trust depends on the mutuality of investing in the relationship and preventing opportunistic behaviour. Growers as well as market agents can easily switch to another partner, due to the high number of growers and market agents.

5. Buyers and Brands

There are a number of reasons why there are so few brands on fresh fruits and vegetables that relate to the buyers.
Firstly, buyers are frustrated with branded products that are not consistent, that is, they do not provide the guarantee expected (Borrell et al. 1993:6). This lack of consistency emerges from the fluctuations inherent in some of the determinant attributes for fresh fruits and vegetables. The brand is expected to offer a degree of implied assurance, or guarantee, that the product is similar to other products with the same brand. Hence, the brand should assure uniform and predictable quality (AHC 1997:1) and it fails to have value to buyers if, in their experience, the quality of the branded product varies significantly (Yabsley 1994:3).
Secondly, brands may not be equally relevant for all fresh fruits and vegetables. For example, in general brands are more relevant for fruits as their quality fluctuates more than it does for vegetables. Further, the benefits of a brand to buyers are likely to increase in situations where quality is difficult for them to evaluate at the time of purchase.
Thus, the benefits of branding fresh fruits and vegetables are problematic. From the buyer's perspective it appears that the situation where a brand is most valuable is when the determinant attribute is difficult to identify, that is, it is hidden, and it fluctuates, and the supply chain is able to reduce these fluctuations. However, from the perspective of the organisations involved in the supply chain it appears that a brand is most valuable when material differentiation can be achieved between the products offered by competing suppliers and the brand offers its owner benefits that exceed its costs. The relatively low level of branding of fresh fruits and vegetables may indicate that the convergence of these situations seldom occurs.

6. Growth of Retail Industry in India

According to McKinsey report, 'The rise of Indian Consumer Market', estimates that the Indian consumer market is likely to grow four times by 2025. Commercial real estate services company, CB Richard Ellis' findings state that India's retail market has moved up to the 39th most preferred retail destination in the world in 2009 up from 44 last year. India continues to be among the most attractive countries for global retailers. Foreign direct investment (FDI) inflows as on September 2009, in single-brand retail trading, stood at approximately US$ 47.43 million according to the Department of Industrial Policy and Promotion (DIPP). India's overall retail sector is expected to rise US $ 1.3 trillion by 2018, at a compound annual growth rate (CAGR) of 10 per cent. As a democratic country with high growth rates, consumer spending has risen sharply as the youth population (more than 33 percent of the country is below the age of 15) has seen a significant increase in its disposable income. Consumer spending rose an impressive 75 per cent in the past four years alone. Also, organized retail, which is pegged at around US $ 8.14 billion, is expected to grow at a CAGR of 40 per cent to touch US $ 107 billion by 2014. As per TSMG estimates, the share of the 35 towns with current population is greater than 1. Million in the overall population of India would grow much faster from 10.2% today to reach 14.4% by 2025. Simultaneously, the share of these towns in the overall retail market would grow from 21 % today to 40% by 2025.
According to Deloitte Retail report, the estimated growth of traditional retail in India is $452 billion and modern retail is $122 billion by 2015. This shows the growth potential in Indian retail sector is immense.
Nilgiris, established in 1905 as a dairy farm near Ootacamund in South India, is perhaps the first organised food retailer in India8. Although another chain, *Spencers*, has been part of the Indian retail landscape since 1863, it only began selling groceries in 1920. *Safal*, established in 1988 by the National Dairy Development Board (NDDB), was the first organised

retailing venture for fruit and vegetables in North India (mainly Delhi). The rapid expansion of the RPG Group's "Food World" outlets in different parts of India beginning with its first outlet in Chennai in 1996 indicates enhanced corporate interest in food retailing. Other corporate houses that are currently active in the food retail landscape of India include: RPG (Spencers'), Reliance (Fresh), ITC (Choupal Fresh), Aditya Birla (More), Heritage (Fresh@), Pantaloon Retail (Food Bazaar), Bharti (Easy Day) and Express Retail (Big Apple).

The ICRIER (2008) study found that unorganised retailers in the vicinity of organised retailers experienced a decline in volume of business and profit in the initial years after the entry of large organised retailers. Impacts are expected to be larger in the long run, "when the organised retailing of food and grocery reaches at least 25-30% of the total sales" (Reardon and Gulati, 2008). However, consumers do gain from low prices offered through organised retail (Gaiha and Thapa, 2007; ICRIER, 2008).

With regard to impact on farmers, available evidence varies from significant benefits arising from direct sales to organised retailers (ICRIER, 2008) to no impact as "corporates are procuring only from the *mandis* (produce markets)". A study on contract farming arrangements in dairy, poultry and vegetables has reported significant gains in income of farmers who are part of contract arrangements in comparison to non-contract farmers (Birthal et al., 2005). However, the performance of contract farming varies considerably, depending on the nature and type of contracting agency, nature of technology, crop/produce and the local and national context (Singh, 2007). Another study citing global experiences points to lower prices for farmers when large retailers purchase in bulk (CPA, 2007).

6.1 Fresh Fruits and Vegetables –India

Known as fruit and vegetable basket of the world, India produces a wide variety. It ranks second in fruits and vegetables production in the world, after China. As per National Horticulture Database 2011 published by National Horticulture Board, during 2010-11 India produced 74.878 million metric tonnes of fruits and 146.554 million metric tonnes of vegetables. The area under cultivation of fruits stood at 6.383 million hectares while vegetables were cultivated at 8.495 million hectares.

India is the largest producer of ginger and okra amongst vegetables and ranks second in production of potatoes, onions, cauliflowers, brinjal, cabbages, etc. Amongst fruits, the country ranks first in production of Bananas (31.24%), Papayas (42.11%), Mangoes (42.24%), Lemons and limes (21.77%). The vast production base offers India tremendous opportunities for export. During 2011-12, India exported fruits and vegetables worth Rs.4801.29 crores which comprised of fruits worth Rs.1779.49 crores and vegetables worth Rs.3021.74 crores. Mangoes, Walnuts, Grapes, Bananas, Pomegranates account for larger portion of fruits exported from the country while Onions, Okra, Bitter Gourd, Green Chilles, Mushrooms and Potatoes contribute largely to the vegetable export basket. The major destinations for Indian fruits and vegetables are Bangladesh, UAE, Pakistan, Malaysia, Sri Lanka, UK, Saudi Arabia and Nepal.

7. Conclusion

The brand will only survive when the organisation investing in it receives some benefit. With many organisations participating in the supply chain for most fresh fruits and vegetables the ability of the organisation making the investment to receive a benefit is reduced. Thus many fresh fruit and vegetable products are likely to remain unbranded. These same issues in relation to branding are relevant to other products, such as fresh meats, where the determinant attributes fluctuate and are hidden from the buyer at the time of purchase.

The physical possibility to brand was important for consumer franchise across product categories. FFV are likely to remain unbranded because the brand will not be of sufficient assistance to the buyer.

Products that are easier to label can be branded more easily and stand a better chance of developing into brands with a strong consumer franchise. For FFV, unexpected negative impact of control of the supply chain on consumer franchise will encounter. So much care should be taken.

Branding in the FFV has not been fully developed or explored. However, some recent forays have shown that given the proper positioning and retailer, branded FFV can successfully boost an entire category – store brands and all. Retailers are under constant pressure to differentiate in order to win a larger share of consumers' wallets, and carrying distinctive brands can go a long way toward enhancing store image perception and gaining shopper loyalty. No matter the strategy, the brand has to resonate with the target consumers. Choosing a brand that fits with the message the store wants to give to shoppers is vital to success. In some retailers, it might work to demonstrate a commitment to the community by stocking a locally made brand.

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