

Food Marketers Get Selective About Brands to Support

With Private Label Eating at Margins, ConAgra, Others Putting Dollars Mainly Behind Top Performers

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CHICAGO (AdAge.com) -- As supermarket brands pummel its business, the food industry is increasingly picking and choosing among its brands for the one to back.



Just ask ConAgra, which has a number of third-place brands that are generally more susceptible to private-label competition. In a conference call with analysts today, the company acknowledged that it has been de-emphasizing its Act II popcorn which, it admits, plays second fiddle to ConAgra's better-known brand in that aisle, Orville Redenbacher. "That type of shift will slow unit growth volume performance but help expand margins and profitability," CEO Gary Rodkin said of the decision.

It's not alone. Companies including Kraft Foods and Sara Lee have talked about selecting brands that have market-leading potential and then focusing marketing dollars there. Kraft has divested iconic but lagging brands including Minute Rice and Grape Nuts in recent years as private label comes on strong. Even so, CEOs singling out underperforming brands -- such as Mr. Rodkin's Act II admission -- has not yet become commonplace.

Retailers scale back

But it will, as retailers trim back the number of national brands they carry. "We have heard increased chatter from retailers like Walgreens and Target about their efforts to rationalize their SKU counts [by stocking fewer items] and simplify the shopping experience," Credit Suisse analyst Rob Moskow said in a research note. "Wal-Mart has always emphasized it. We think the SKU rationalization efforts of retailers will hurt good brands that have too many varieties just as much as bad brands that don't merit the shelf space."

Mr. Moskow went on to classify ConAgra's portfolio as "more vulnerable than most," in part because they have multiple entries in a number of categories, such as margarine.

ConAgra increased marketing spending by 10% during its third quarter. According to TNS Media Intelligence, the marketer's measured spending has been flat in recent years. Con Agra spent \$197 million in measured media during 2008, excluding internet and national spot radio. That figure was up only slightly from 2007, when the figure was \$195 million.

During his remarks, Mr. Rodkin vowed to boost spending further. The company is launching a Healthy Choice campaign next week featuring a celebrity spokesperson "who epitomizes the new target for the brand," he said, adding that "When you see it I am certain you'll agree that this campaign is a great example of how we've raised our marketing game."

In total, ConAgra's earnings beat analysts' soft expectations for the company, with net income down 37% in the quarter, to \$193 million, from \$309 million. A sharp dip in peanut butter sales hurt the company, which makes Peter Pan, although the brand was unaffected by [recent recalls of products containing peanut paste](#). Still sales were up 6% to \$3.1 billion, largely thanks to price increases.

"We saw increasing strength in our consumer foods business this quarter as we expected, with sales and comparable operating profits ahead of last year," said Mr. Rodkin. "We're turning the corner in this business."