Syllabus B. Sc. 3rd year : Food Packaging and Marketing

Unit- 5th :

History

The Food Industry has changed and developed over the decades in order to satisfy customer needs and consumer behavior. This industry is characterized by a complex system of activities concerning supply, consumption and delivery of food products across the entire globe.

The history of the American food industry,concentrating on the development of the market from World War II (WWII) until today. Before WW II, all over the world the people used to eat in very simple ways using only local and seasonal products as they were constrained to a geographical area. Another important change occurred in the role that women played within their family: as the men left to fight in the war the female population had to replace them working in industry. While their disposable income increased, the time they could dedicate to housework decreased drastically, with a consequent rise in demand for industries that could produce readymade food in their place.

After the war, the processed food that was initially developed for soldiers on the frontline became produce for grocery stores and restaurants in towns and cities. This phenomenon became even more evident when Richard and Maurice McDonald understood the importance of making food quickly, selling it cheaply and spending less time and resources in looking for the best quality food sources and in the final product. The two brothers redesigned the food preparation sector, as in the automobile assembly line, in order to achieve the product at a lower cost. McDonald's was the first of a series of fast food restaurants that, in a brief period, managed to compete in the market by offering reasonable products at a low price.

However, very soon studies started showing how cardiovascular problems, diabetes, musculoskeletal disorders, cancers and obesity, all diseases related to poor eating habits, were drastically on the increase.

There are three historical phases of food marketing:

1. **The fragmentation phase (before 1870–1880)**
   In the fragmentation phase, the United States was divided into numerous geographic fragments because transporting food was expensive, leaving most production, distribution, and selling locally based.
2. **The unification phase (1880–1950)**

In the unification phase, distribution was made possible by railroads, coordination of sales forces was made possible by the telegraph and telephone, and product consistency was made possible by advances in manufacturing. This new distribution system was led by meat processors such as Armour and Swift in mid-western cities and by companies such as Heinz, Quaker Oats, Campbell Soup, and Coca-Cola, which sold their brands nationally. Advertising in print media and direct marketing through demonstrations at stores and public venues were among the prime marketing tools.

3. **The segmentation phase (1950 and later)**
   In the segmentation phase (1950 and later) radio, television and internet advertising made it possible for a wider range of competing products to focus on different benefits and images and thus appeal to different demographic and psychographic markets. Distribution via the new national road system strengthened national brands.

Marketing mix

The four components of food marketing are often called the "four Ps" of the marketing mix because they relate to product, price, promotion, and place. One reason food manufacturers receive the largest percentage of the retail food dollar is that they provide the most differentiating, value-added service. The money that manufacturers invest in developing, pricing, promotion, and placing their products helps differentiate a food product on the basis of both quality and brand-name recognition. Overall, the marketing mix can add value to a food organization's product.

1. Product:

In deciding what type of new food products a consumer would most prefer, a manufacturer can either try to develop a new food product or try to modify or extend an existing food. For example, a sweet, flavored yogurt drink would be a new product, but milk in a new flavor (such as chocolate strawberry) would be an extension of an existing product. There are three steps to both developing and extending: generate ideas, screen ideas for feasibility, and test ideas for appeal. Only after these steps will a food product make it to national market. Of one hundred new food product ideas that are considered, only six make it to a supermarket shelf.

The food industry faces numerous marketing decisions. Money can be invested in brand building (through advertising and other forms of promotion) to increase either quantity demanded or the price consumers are willing to pay for a product. Coca-Cola, for example, spends a great deal of money both on perfecting its formula and on promoting the brand. This allows Coke to charge more for its product than can makers of regional and smaller brands. Manufacturers may be able to leverage their existing brand names by developing new product lines. For example, Heinz started out as a brand for pickles but branched out into ketchup. Some brand extensions may involve a risk of damage to the original brand if the quality is not good enough. Coca-Cola, for example, refused to apply the Coke name to a diet drink back when artificial sweeteners had a significantly less attractive taste. Coke created Tab Cola, but only when aspartame (NutraSweet) was approved for use in soft drinks did Coca-Cola come out with a Diet Coke. Manufacturers that have invested a great deal of money in brands may have developed a certain level of consumer brand loyalty—that is, a tendency for consumers to continue to buy a preferred brand even when an attractive offer is made by competitors. For loyalty to be present, it is not enough to merely observe that the consumer buys the same brand consistently. The consumer, to be brand loyal, must be able to actively resist promotional efforts by competitors. A brand loyal consumer will continue to buy the preferred brand even if a competing product is improved, offers a price promotion or premium, or receives preferred display space. Some consumers have multi-brand loyalty. Here, a consumer switches between a few preferred brands. The consumer may either alternate for variety or may, as a rule of thumb, buy whichever one of the preferred brands is on sale. This consumer, however, would not switch to other brands on sale. Brand loyalty is, of course, a matter of degree. Some consumers will not switch for a moderate discount, but would switch for a large one or will occasionally buy another brand for convenience or variety.

The product of the marketing mix refers to the goods and/or services that the organization will offer to the consumer. An organization can achieve this by either creating a new food product, or by modifying or improving an existing food product. For example, an organic almond yoghurt drink would be considered a new product, whereas a chocolate flavored milk drink would be an extension of an existing product. The three steps to develop and extend a food product include generating ideas, analyzing the ideas for feasibility and testing ideas for demand. Once these steps have successfully been completed, the food product can then be manufactured to the food market.

2. Price:

In profitably pricing the food, the manufacturer must keep in mind that the retailer adds approximately 50 percent to the price of a wholesale product. For example, a frozen food sold in a retail store for $4.50 generates an income of $3.00 for the manufacturer. This money has to pay for the cost of producing, packaging, shipping, storing, and selling the product.

Price encompasses the amount of money paid by the consumer in order to purchase the food product. When pricing the food products, the manufacturer must bear in mind that the retailer will add a particular percentage to the price on the wholesale product. This percentage amount differs globally. The percentage is used to pay for the cost of producing, packaging, shipping, storing and selling the food product. For example, the purchasing of a food product in a supermarket selling for $3.50 generates an income of $2.20 for the manufacturer.

3. Promotion:

Promoting a food to consumers is done out of store, in store, and on package. Advertisements on television and in magazines are attempts to persuade consumers to think favorably about a product, so that they go to the store to purchase the product. In addition to advertising, promotions can also include Sunday newspaper ads that offer coupons such as cents-off and buy-one-get-one-free offers.

Promotion of the marketing mix is defined as the actions used to communicate a food product's features and benefits; therefore, persuading the consumer to purchase the product. There are multiple avenues used to promote a food product to consumers. Some examples are out-of-store, in-store and on the packaging. Food advertisements on television are used to attract the consumer, persuading them to go to the store and purchase that food product. Additionally, promotions in magazines and newspapers may offer coupons for food products.

Place:

Place refers to the distribution and warehousing efforts necessary to move a food from the manufacturer to a location where a consumer can buy it. It can also refer to where the product is located in a retail outlet (e.g., the end of an aisle; the top, bottom, or middle shelf; in a special display case, etc.).

The food marketing system in the United States is an amazingly flexible one. Consumer focus helps marketers anticipate the demands of consumers, and production focus helps them respond to changes in the market. The result is a system that meets and influences the ever-changing demands of consumers.

Place refers to the activities that organizations go about in order to make its food product available to its consumers. This encompasses the distribution necessary to move a food product from the manufacturer to a location where it can be purchased by the consumer. Product location in a store is also a definition of place in the marketing mix. For example, a particular place in an aisle, a shelf or a display in a supermarket.

Segmentation:

In order to market its food products, an organization must first understand whether its product will satisfy the consumer's needs better than competitors. In order to achieve this, an organization must understand the four types of segmentation.

1. Geographic:

An organization must understand where it is marketing its food products to in a geographical sense. Clarifying this will help an organization to grasp which food products will satisfy the needs of a particular consumer culture. For example, researching whether the consumer lives in America or Asia; or, whether the consumer lives in a city or a rural area. By understanding these aspects, the organization will be able to identify that a consumers' food needs differ depending on where they live.

2. Demographic:

A food organization must understand the demographic segment that it will be marketing towards. Factors that must be considered are a consumer's age, gender, education, social class, income, religion and ethnicity. All of these aspects can impact whether the consumer will prefer one food product over another.

3. Psychographic:

A food organization must understand its consumer psychographic. Factors such as lifestyle, personalities, opinions, activities and interests of its potential consumers must considered. Identifying these aspects can help an organization to improve its food products.

4. Behavior:

A food organization must understand how its consumers may behave towards a food product. For example, information researching the benefits sought, frequency of food purchase, attitude towards the food product and nutritional knowledge of the product are all beneficial.

Criticism

In recent years, food marketing has been criticized by professionals as being a major factor in contributing to childhood obesity. Nestle (2006) suggests that food marketing purposely targets children who are easily influenced at such a young age to eat high-sugar drinks and food with little nutritional benefit. The fact that areas of food marketing are linked to obesity is concerning, as well as how easy it is to market to children and affect their food choices. Television and print media still stand as the traditional communication channels for food marketing, but other popular approaches are also more prevalent these days. These include the Internet, toys, packaging, video games, blockbuster films, character licensing of children's toys and celebrity advertising. The employments of these food marketing strategies are growing, and are said to be partly responsible for swelling rates of childhood obesity.

Product placement in children's films and television shows gives food marketers more power to get children familiar with their brand and to directly interact with this market segment. The power brands have through food marketing on television is significant because television audiences automatically are more enticed in an advertisement as it is playing in front of them, forming stronger predispositions for brands. Accusations come into play when this saturation happens as children are not equipped with adequate knowledge to make smart nutritional choices, and food marketing is therefore sometimes blamed for children's unhealthy lifestyles. Children are a fast expanding market segment, firstly because they yield influence over their parents buying, but also because they are future consumers themselves. Food marketers capitalize on the fact most children trouble their parents for a product they have seen on television until they receive it, giving children high bargaining power. According to McGinnis et al. (2006), by the time children are two years old, the majority can identify brands in supermarkets and demand them by name. It has been argued that marketers also portray some foods to children as exclusive only to them, implying children know better about their nutrition than their parents. This has in turn seen trends of children disregarding parental advice and taking it upon themselves to pick and choose what they eat.

Food marketers also use appealing packaging to attract children to their product through bright colours, including toys in schemes (McDonald's Happy Meals with a toy included is an example) and utilizing famous television or film characters to spark interest. In terms of packaging, brands will also change the size of products to entice children. Large companies have further been criticized of contributing to obesity through supplying schools with branded sponsorships and sports merchandise such as rugby balls that flaunt a company's logo. Food marketers are criticized further than being responsible for child obesity rates, and are said to not have children's long-term physical wellbeing in mind when they aim to rapidly create brand name association among children.

Childhood obesity:

It has been shown through Frechette's (2015) studies that in recent years, as children and teenagers have become more exposed to technological advances, they have become more susceptible to unhealthy food marketing commercial messages from food organizations (Cairns, Angus, Hastings & Caraher, 2013). Harris, Pomeranz, Lobstein, & Brownell (2009) suggest that food marketers have been using child-targeting marketing practices in order to persuade children to eat unhealthy or poorly suitable foods. Organizations achieve this through direct and indirect marketing tactics on television adverts, games, social media and food packaging (Freeman, Kelly, Baur, Chapman, Chapman, Gill & King, 2014). These tactics have an explicit effect on children's consumption patterns, diet-related health, nutritional knowledge, purchase behaviour and preferences (Vandevijvere & Swinburn, 2015). Overall, it has been found that food marketing is one of the leading contributors to an increase in childhood obesity (Schor & Ford, 2007). This is increasingly becoming a global issue.

In order to prevent the current unhealthy food marketing culture, Sacks, Mialon, Vandevijvere, Trevena, Snowdon, Crino & Swinburn (2015) believe that there are methods and policies that should be put into place by governments. Firstly, parents should be informed of the nutritional values of the foods that they are giving to their children (Grier, Mensinger, Huang, Kumanyika & Stettler, 2007). For example, an easy-to-read nutritional label on food packaging that provides the nutrient values and their definitions (Nikolova & Inman, 2015). This will create healthier food environments for families around the world (Sacks et al., 2015). Secondly, parents could restrict which advertisements that their children are exposed to (Newman & Oates, 2014). For example, parents could use ad-blocking applications or limit television watching time (Thaichon & Quach, 2016). Through the implementation of these strategies, governments can contribute in decreasing the rates of childhood obesity through food marketing.