

7. Varietal labelling

7.1 Introduction

As previously reported only one display from a total of four hundred and twenty-nine was found to contain apples with an adhesive varietal label. Adhesive varietal labels contain the name of the variety only and have no indication as to who the apple grower or packer may have been. In this instance the variety was *Pink Lady* and the label was pink in colour. The observation survey allowed for this eventuality at Question 3.11 which required the recording of the number of varietal-only labelled displays. Data was not recorded on whether labels were brand-only labels, or combined brand/variety labels. It was observed by the researcher however, that a small proportion of packers were using the combined brand/variety labels. More significantly these packers appeared to be the industry leaders at that time.

7.2 Industry views on brand and variety labels

Comments from industry players regarding varietal labelling of apples were mixed. A former chairperson of a leading apple cooperative who currently operates two large retail outlets in Sydney made the comment that *varietal labelling was a must* (Mark Chittick Sept. 93, pers. comm.). This was worth noting because the author traced Mr. Chittick from a video made by John Salvestrin of the New South Wales Department of Agriculture in 1984. The video was without credits but the library staff of the New South Wales Department of Agriculture at Orange were able to track down Mr. Chittick (Jan Richards Aug. 93, pers. comm.). Mr. Chittick's comments on the video indicated to the researcher that he was a knowledgeable fruit and vegetable retailer.

John McKay of the Australian Horticultural Corporation indicated that he believed that industry standard varietal labelling for export together with the word *Australia* or *Australian* was an essential development (John McKay Aug. 93, pers. comm). It is unclear as to how a development of this type would effect the domestic market.

Richard Bennett of the Australian Horticultural Corporation (Aug. 93, pers. comm.) and Dennis Eastman of Sinclair Jenkins, one of the distributors of adhesive apple labels in Australia (July 93, pers. comm.), both commented that the impetus for varietal labelling was coming from the major supermarket chains. Mr. Eastman further commented that varietal labelling was seen by the major supermarkets as an aide to price-look-up systems at supermarket checkouts. Mr. Eastman identified Batlow and Montague as packers who were now using combined brand/variety adhesive labels. Batlow seems to have taken the lead in this development but Mr. Eastman thought that in eighteen months it would be common industry practice.

An alternative view to varietal labelling impetus originating with supermarkets was expressed by Nick Pagett of Batlow (June 93, pers. comm.). Mr. Pagett made the point that no one packer is capable of supplying a major supermarket chain's annual requirements. Indeed a single packer would have difficulty supplying all the outlets of a major supermarket chain at the same time. For this reason Mr. Pagett felt that the leading supermarket chains do not favour labelling at all and would prefer a generic product.

7.3 The survey and brand and variety labels

With these conflicting views in mind it was decided that the survey should canvas the issue. At the time of the design of the survey forms, combined brand/varietal labelling was in its infancy. Generic labelling on the other hand was observed by the researcher to be common on other fruits. The observation survey covered the issue as previously noted by requiring the recording of labels in the display as either brand or varietal. The interview survey form covered the issue at Question 16. Question 16 asked the respondent:

Which is more important to you?

1. an apple with a brand-name label on it; or
2. an apple with a variety-name label on it.

Prior to the survey it was envisaged the response would be recorded as either '1' for a *brand* preference or '2' for a *variety* preference. During the pilot survey however it became apparent that some responses would be either *don't care* or *combined brand/variety*. Responses were therefore recorded as:

- '0' don't care;
- '1' brand;
- '2' variety; and
- '3' combined.

7.4 The hypotheses

The hypotheses to be considered in this section are:

- A1.7 *Major supermarket chains believe the brand labelling of individual apples results in their staff charging the correct price for loose brand labelled apples; and*
- A1.8 *Retailers of apples prefer adhesive varietal labels to adhesive brand labels.*

7.5 The occurrence of varietal labels

As previously indicated the results of the observation survey were that only one of the four hundred and twenty-nine apple displays surveyed contained apples with an adhesive varietal label. For the purposes of the survey three displays were discarded as they were organic displays. To put this result in context, the following three tables summarise the absolute and relative frequencies when all displays, labelled displays and the number of outlets carrying apples with varietal labels are considered.

Table 7.1

The occurrence of displays with varietal labels

n = 426	Varietal	Other
Absolute frequency	1	425
Relative frequency	0.0023	0.9977

Table 7.2

The occurrence of displays with varietal labels compared to displays containing at least one brand of apples

n = 291	Varietal	Brand
Absolute frequency	1	290
Relative frequency	0.0034	0.9966

Table 7.3

The number of outlets that did not stock apples with varietal labels

n = 56	Varietal	Did not stock varietal
Absolute frequency	1	55
Relative frequency	0.0182	0.9821

Note: This table is expressed in the negative as the outlet which had the one varietal display also had labelled apples in seven of the remaining displays. Expressed positively the relative frequencies would have been 0.0182 and 1.

7.6 Results of the observation survey

Given the results, it is clear that the sample indicates that hypothesis A1.8 should be rejected. The behaviour of the sampled apple retailers in the stocking of labelled apples does not support the contention that apple retailers prefer adhesive varietal labels over adhesive brand labels. More than ninety percent of the sample behave in quite the opposite manner. Of course there is a question of the availability of apples with varietal only labels. It is the view of the researcher that at the time of the survey the availability of apples with varietal-only labels, compared to apples with brand labels, was likely to approximate the relative frequencies generated in the sample.

7.7 Retailers stated preferences

Question 16 of the interview asked each respondent:

Which is more important to you?

1. an apple with a brand-name label on it; or
2. an apple with a variety-name label on it.

A summary of the responses is contained in Table 7.4.

Table 7.4
Retailers' responses to interview question sixteen

<u>Outlets</u>	<u>Don't care</u>	<u>Brand</u>	<u>Variety</u>	<u>Combined</u>
All	3	19	20	4
Supermarket chains	0	1	2	0
Non-supermarkets	3	18	18	4

7.8 Results of Question 16 of the interview

The responses to question sixteen are inconclusive. It would appear that preferences for either *brand* or *varietal* labelling of apples is split about fifty-fifty for the sample. When the researcher asked the question he gave the respondents the choice of *brand* or *variety* only. Respondents who showed a strong preference for either *don't care* or *combined* were recorded as such. If we disregard the *don't care* and *combined* responses then the preferences are very even.

7.9 Supermarket chain responses

The absolute supermarket chain responses represent thirteen outlets in the sample. The two supermarket chain *variety* responses are responses from the two largest supermarket chains in Australia. As noted earlier the sample of supermarket outlets is not proportional to the Australian population of those supermarkets. The rationale given by the one supermarket chain which preferred brand labels to varietal labels, was, *variety is seasonal*. The rationale given by the first of the leading Australian supermarket chains for preferring varietal labelling was:

1. to assist consumers identify the variety of apple; and
2. the label should have an industry standard price-look-up code for the variety and the size of apple.

The second leading Australian supermarket chain also wanted an industry standard label for each variety and stressed its desire for a variety colour code as part of the price-look-up code.

Prior to the survey a story concerning the CEO of the Australian Horticultural Corporation being incorrectly charged for apples at the check-out of a Melbourne Coles supermarket was conveyed to me (Richard Bennett Aug. 93, pers. comm). During the survey a produce manager of a national supermarket chain complained of the deals being done by head office resulting in differing prices for apples at the outlet. His complaint was that given the chain's policy of free groceries for scanner errors, check-out operators charged the lowest price quoted on the day for all apples rather than risk an identification error.

The implication of these comments is that hypothesis A1.7 should be rejected. There is evidence to suggest that supermarket chains do not believe that brand labelling of individual apples results in their check-out staff charging the correct price for apples. Clearly the NSW representatives of the two largest supermarket chains in Australia have a stated preference for varietal labelling which incorporates a price-look-up code.

7.10 Additional consumer information on labels

A number of retailers expressed a preference for brand labels on waxed apples to include words to the effect that the apples had been waxed. Current health regulations require retailers to advise consumers of the fact that their apples are waxed (Retailers Sept. 93, pers. comm.). These retailers felt they were open to prosecution if they purchased waxed apples but neglected to alter their display price notices to advise customers accordingly. The additional requirement to advise customers of waxing seemed onerous to some retailers.

7.11 Retail price levelling

An interesting point of observation is that the researcher believes that some apple retailers tend to price level. During the survey it was observed that many price notices on displays seemed to have been unaltered for some time. It was also observed that most price notices on displays are home made and generally a little rough. There appears to be an opening for packers to provide branded price notices not only as a promotional item but also to improve the standard of merchandising in retail outlets. Batlow price notices were observed in some outlets.

7.12 Strategic considerations

Given the fairly even stated preferences for brand and varietal labels it would seem that a move to combined brand/variety labels has some logic. The logic will be even more appealing to those apple packers who have adopted branding as a conscious strategy and are mindful of the extent to which the major supermarket chains exercise channel power in Australia.

7.13 Developments subsequent to the survey

Subsequent to the survey the researcher has become aware of the existence of adhesive fruit labels in use in the Australian market which contain price-look-up codes (PLCs). The researcher is not aware of any apple packers currently incorporating PLCs in their adhesive brand labels but awaits developments in this area within the Australian apple industry with interest. The researcher is also aware that there has been a marked increase in the size of adhesive labels on other fruits and again awaits some indication of apple industry trends in this area.

7.14 Conclusion

It would appear that the retail apple industry has no overwhelming consensus of opinion on preference for either *brand* or *varietal* apple labels. The behaviour of retailers, however, indicates that apples with generic or varietal-only labels are rarely stocked. Given the assumption that leading apple packers have adopted branding as their core strategy, and given the variety of views expressed, apple packers who have adopted combined brand/variety labels in preference to either brand-only, or variety-only labels, seem to be acting rationally.

8. Consistency in retailer marketing behaviour - Brand labels and storewide brand-specific promotion material

8.1 Introduction

The aim of the study is to improve our knowledge of the part brand labels play in the marketing of domestic apples in Australia. The analysis continues to focus on the marketing behaviour of apple packers and apple retailers. If it is the intention of apple packers to create apple brands, they should be providing apple retailers with promotion material. Likewise, if apple retailers are comfortable with the creation of apple brands, they should be using that promotion material.

In this chapter the provision by apple packers of professionally prepared brand name posters for display in retail outlets is investigated. The behaviour of retailers in the display of storewide brand-specific promotion material is discussed. Behaviour relating to the display of storewide brand-specific promotion material as observed in the observation survey is compared to retailer responses to questions thirteen and twenty of the interview.

Question thirteen of the interview was designed to reduce some of the cross sectional effects of Question four of the observation survey. Question twenty of the interview was discussed in detail in the previous chapter.

8.2 The general hypotheses

The general hypotheses to be tested are:

- A1.9 *Packers of labelled apples do not provide retailers with brand name posters to be used in storewide brand-specific promotion;*
- A2.7 *Retailers who believe that the brand label plays an important role in their purchase decisions do not display storewide brand-specific promotion material in their retail outlets; and*
- A2.8 *Retailers of labelled apples do not use storewide brand-specific promotion material.*
- A2.9 *Retail apple outlets with storewide apple brand-specific promotion material do not stock that brand of apple.*

8.3 Consistency between observed behaviour and responses to the interview

The observation survey at Question four required the researcher to record whether there was *any visible storewide, brand-specific, promotion material*. Question thirteen of the interview required respondents to comment as to whether the situation on the day the retail outlet was visited reflected the normal situation during the last three months. The specific question was:

Q13. *In the last three months how often have you had posters in your shop for somebody's apples, you know, like "Batlow" or someone like that?*

Only two outlets were inconsistent between these two items. Both were owned by the one family. The first had "Batlow" apple cartons permanently displayed on the floor throughout the entire outlet. The second had "Quality Tasmanian" apple cartons permanently displayed on the floor, again throughout the entire outlet. The fact that these cartons were uniform throughout each outlet and the fact that they had obviously been in place for more than three months indicates that the retailers would have used brand-specific promotion material if it had been available. Indeed they commented to that effect. Therefore there does not appear to be any significant inconsistency in observed displays of storewide brand-specific promotion material and the conscious awareness of retailers as to the display of this material in their outlets.

8.4 The occurrences of storewide brand-specific promotion material

The occurrences of storewide brand-specific promotion material are detailed in Tables 8.1 and 8.2.

Table 8.1

*The occurrence of storewide brand-specific promotion material for all outlets
- responses from retailers*

Percentage of time in last three months - n = 46	Absolute frequency	Relative frequency
Zero	21	0.46
Twenty-five	3	0.06
Fifty	1	0.02
Seventy-five	0	0.00
One hundred	21	0.46
Total	46	1.00

Table 8.2

The occurrence of storewide brand-specific promotion material for non-supermarket outlets - responses from retailers

Percentage of time in last three months - n = 43	Absolute frequency	Relative frequency
Zero	18	0.42
Twenty-five	3	0.07
Fifty	1	0.02
Seventy-five	0	0.00
One hundred	21	0.49
Total	43	1.00

Storewide brand-specific promotion material such as posters advertising a brand of apples or the consistent display of used apple cartons of a particular brand of apples were

sighted in twenty-one of the outlets visited. No brand-specific promotion material was sighted in any of the supermarkets. If supermarket outlets are counted as three, the number of supermarket chains rather than outlets visited, the sample size of retail outlets is reduced to forty-six. Of those forty-six, another four outlets claimed to have had storewide brand-specific promotion material sometime in the last twelve months. The sample is almost evenly split on this item. The evidence is, however, that some apple packers do provide brand-specific storewide promotion material, evidently via wholesalers, and slightly more than half the non-supermarket retail outlets in the sample use that material.

Of the twenty-one occurrences of storewide brand-specific promotion material sighted during the survey, eighteen were professionally prepared posters or flags provided by the packer. On sixteen occasions these were from the same packer, 'Batlow'. One outlet displayed posters of two apple brands, 'Batlow' and 'Mountain Fresh', and one outlet had a brand poster for 'The Apple Orange'.

Given these results the following hypotheses should be rejected:

- A1.9 Packers of labelled apples do not provide retailers with brand name posters to be used in storewide brand-specific promotion; and*
- A2.8 Retailers of labelled apples do not use storewide brand-specific promotion material.*

Rejection is appropriate because rejection of the hypotheses requires that only one exception to each contention be identified.

8.5 Consistency in retailer marketing behaviour - the sixty/forty group

The object in this section is to determine if there is logically consistent behaviour by non-supermarket retailers in terms of storewide brand-specific promotion material (SWBSPM), and, their beliefs as to the importance of the brand label in their purchase decisions.

The behaviour of interest is whether those non-supermarket retailers who believe that the brand label is equal to or greater than sixty percent in importance in their purchase decisions, are also likely to have storewide brand-specific promotion material displayed in their outlets. Equally there is interest as to whether those non-supermarket retailers who believe that the brand label is less than sixty percent in importance in their purchase decisions, are unlikely to have storewide brand-specific promotion material displayed in their outlets. The importance measurement is conditional upon those retailers satisfying their purchase criteria of price, variety and size.

Two frequency distributions were compiled classifying outlets by the purchase criteria and detailing whether those outlets had, or did not have, storewide brand-specific promotion material on display.

8.5.1 The hypotheses

The null hypothesis is:

H₀: The occurrence of storewide brand-specific promotion material is independent of retailers' attitudes towards the importance of brand labels in their purchase decisions.

The alternative non-directional hypothesis is:

H₁: The null is incorrect.

The Bivariate Chi-squared test data are detailed in Appendix G, Table G1. For those twenty-eight non-supermarket retailers who considered that brand labels have sixty percent or more importance in their purchase decisions, eleven had storewide brand-specific promotion material in their retail outlets. Of the thirteen who responded negatively, nine had no storewide brand-specific promotion material in their retail outlets.

8.5.2 The results

The observed frequencies of 11 and 17 from 28, and 4 and 9 from 13, returned a X^2 (1) of 0.278. With alpha set at 0.05, X^2 (df) = 3.84. Because $X^2 = 0.278$ is not in the rejection zone, the null hypothesis cannot be rejected. The data offers little support for a difference between the relative frequency distributions. The implication is that the behaviour of these retailers in the display of storewide brand-specific promotion material appears to be independent of their beliefs regarding the relative importance of brand labels in the purchase decision. A note of caution, however: one of the expected frequencies was 4.76. For one degree of freedom *the expected frequencies in each category should be at least 5* for the sample size to be considered large enough to satisfy the sampling assumptions of the chi-square statistic (Glenburg 1988, 492).

8.6 Consistency in retailer marketing behaviour - the one hundred/zero group

The object in this section is to again determine if there is logically consistent behaviour by non-supermarket retailers in terms of storewide brand-specific promotion material (SWBSPM), and, their beliefs as to the importance of the brand label in their purchase decisions.

The behaviour of interest is whether those non-supermarket retailers who believe that the brand label is one hundred percent important in their purchase decisions, are also likely to have storewide brand-specific promotion material displayed in their outlets.

There is also interest as to whether those non-supermarket retailers who believe that the brand label has zero importance in their purchase decisions, are unlikely to have storewide brand-specific promotion material displayed in their outlets. The importance measurement is again conditional upon those retailers satisfying their purchase criteria of price, variety and size.

Two frequency distributions were compiled classifying outlets by the purchase criteria and detailing whether those outlets had, or did not have, storewide brand-specific promotion material on display.

8.6.1 The hypotheses

The null hypothesis is again:

H₀: The occurrence of storewide brand-specific promotion material is independent of retailers' attitudes towards the importance of brand labels in their purchase decisions.

The alternative non-directional hypothesis is again:

H₁: The null is incorrect.

The Bivariate Chi-squared test data are detailed in Appendix G, Table G2. For the eighteen non-supermarket retailers who considered that brand labels were one hundred percent important in their purchase decisions, seven had storewide brand-specific promotion material in their retail outlets. Of the seventeen who responded negatively, sixteen had no storewide brand-specific promotion material in their retail outlets.

8.6.2 The results

The observed frequencies of 7 and 11 from 18, and 1 and 16 from 17, returned a X^2 (1) of 5.402. With alpha set at 0.05, X^2 (df) = 3.84. Because $X^2 = 5.402$ is in the rejection zone, the null hypothesis should be rejected. The data offers support for a difference between the relative frequency distributions. The implication is that the behaviour of these retailers in the display of storewide brand-specific promotion material appears to be dependent of their beliefs regarding the relative importance of brand labels in the purchase decision. A note of caution however. One of the expected frequencies was 3.89, while another was 4.11 indicating the sample size is too small to be relied upon with confidence.

8.7 Consistency conclusions

Although these results may not allow rejection of the general hypothesis that *Retailers who believe that the brand label plays an important role in their purchase decisions do not display storewide brand-specific promotion material in their retail outlets*, they do suggest some consistency between the purchase decision criteria and

promotional behaviour of retailers. At least some proportion of retailers who think brand labels are a relatively important criterion in their purchase decisions also display storewide brand-specific promotion material. And, at least some proportion of retailers who think that brand labels are not a relatively important criteria in their purchase decisions do not display storewide brand-specific promotion material. In this second group the leading supermarket chains are one hundred percent consistent. The supermarket chains rated brand labels at zero, and do not have storewide brand-specific promotion material on display in their outlets. The supermarket chains were not included in the above chi-squared tests. Because of the occurrence of expected frequencies smaller than five, definite conclusions cannot be drawn. However, it does appear that the second stratum is more consistent in its behaviour than the first and that at the extremities, promotion behaviour and purchase beliefs are dependent.

8.8 Stocking of promoted brands

Hypothesis A2.9 is designed to determine if retailers who use storewide brand-specific promotion material also stock that brand of apple. All but three of these retailers stocked the brand of apple promoted via their storewide brand-specific promotion material. That is, three from nineteen. The conclusion is; the proposition should be rejected. It is worrying, however, that the number of inconsistent retailers in this regard was as high as three. It may be that in some cases, retailers considered promotion material as decoration.

8.9 Conclusion

The hypothesis regarding packers and the provision of promotion material has been rejected, as has the contention that apple retailers would not use brand-specific promotion material in their retail outlets if it were provided by apple packers. There is also evidence that apple retailers who do not regard brand labels as an important aspect of their purchasing decision, predominantly, do not use brand-specific storewide promotion material. Finally, although retailers who use brand promotion material also predominantly stock the same brand of apple, some don't.

9. The importance of brand labels to retailers

9.1 Introduction

In this chapter the retail advantages and disadvantages of stocking labelled apples are discussed. The importance of the brand label in the purchase decisions of retailers is also addressed as are wholesale price premiums and brand choice at the retail level.

9.2 The hypotheses

The hypotheses to be tested are:

- A1.10 *Retailers of brand labelled apples consider the disadvantages of marketing brand labelled apples outweigh the advantages.*
- A2.10 *Brand labels on apples rate highly in the apple purchase decisions of apple retailers in comparison to a combination of price, variety, and size.*
- A2.11 *Brand labels on apples rate highly in the apple purchase decisions of apple retailers in comparison to price, or in comparison to variety, or in comparison to size.*
- A2.12 *Retailers of labelled apples do not believe they pay a premium for those labelled apples.*
- A2.13 *Retail apple outlets have single-brand displays of different brands of apples of the same variety and size of apple, displayed at the same point in time.*

9.3 The advantages and disadvantages for retailers of marketing brand labelled apples

Questions Eighteen and Nineteen of the interview asked retailers to respond by listing any advantages or disadvantages the stocking of brand labelled apples may have had for them. These were open ended questions and in retrospect the author would not ask this type of question again. Questions which gave the respondent a choice between a number of options, although restrictive, may have been more useful.

Thirty-five retailers responded to one or other of questions eighteen or nineteen. The other eleven were neutral towards brand labels. A list of the responses is contained in Appendix L. Three of the five responses concerning the disadvantages referred to edible aspects of labels. The thirty-one responses to the advantages of stocking brand labelled apples prominently featured presentation, identification and, kids. The responses indicate that brand labels are favoured by the overwhelming majority of non-supermarket retailers. Hypothesis A1.10 should therefore be rejected.

Question Seventeen of the interview asked retailers how they would identify their best selling brand labelled apples in each variety in the last three months. Not a single

respondent, not even the three supermarket chains, had management information systems capable of supplying information on the sales of brand labelled apples. All the non-supermarket retailers stated they knew from memory. Many commented that if they bought Batlow or Montague they all had brand labels on them anyway.

9.4 The ranking of brand labels in retailers' purchase decisions

How important is the brand label in the purchase decisions of retailers? Retailers were asked to recall in what order they had considered price, variety, size, and the brand label, the last time they purchased apples. All three supermarket chains rated brand labels last. Apple variety was the first criteria they considered. Of the non-supermarkets, only four responded with the brand label ranked either first or equal first. All other respondents ranked the brand label last.

Tables 9.1 and 9.2 detail non-supermarket retailer responses, and supermarket chain responses respectively, to the ranking of price, variety, size, and the brand label in their purchase decisions.

Table 9.1

The ranking of price, variety, size, and brand label, in non-supermarket retailers' purchase decisions

Rank	Price	Variety	Size	Brand label
First	18	24	5	4
Second	1	3	30	0
Third	19	11	3	0
Fourth	0	0	0	34
Total	38	38	38	38

Table 9.2

The ranking of price, variety, size, and brand label, in supermarket chain purchase decisions

Rank	Price	Variety	Size	Brand label
First	2	3	1	0
Second	0	0	2	0
Third	1	0	0	0
Fourth	0	0	0	3
Total	3	3	3	3

Hypotheses A2.10 and A2.11 should both be rejected on this evidence. It is clear that the brand label does not rate highly against the other purchase criteria of price, variety and size, either individually, or as a package.

9.5 The importance of brand labels in retailers' purchase decisions

Respondents were also asked to rate the four criteria in terms of importance. This aspect of the survey proved difficult to administer. The question was altered to allow respondents to consider how important the brand label would be if they were able to satisfy the other three criteria to their satisfaction. Eighteen of the thirty-eight non-supermarket respondents to this question considered the brand label one hundred percent in importance. A total of thirty-one respondents rated the brand label from fifty to one hundred percent in importance. This is a cumulative frequency of .816. Of the supermarkets, all three chains rated the brand label as zero. The relative and cumulative frequencies of the responses from non-supermarket retailers are detailed in Table 9.3.

Table 9.3

The importance of brand labels in the purchase decisions of non-supermarket retailers

Importance	Relative Frequency	Cumulative Frequency
100	.474	.474
90	.053	.527
80	.184	.711
60	.026	.737
50	.079	.816
20	.079	.895
0	.105	1

This is a strong result and indicates that if non-supermarket retailers can satisfy their requirements for price, variety and size, about eighty percent consider the brand label to be important in their purchase decision.

9.6 Wholesale price premiums

Retailers were asked if they thought they had paid a premium for brand labelled apples and, if so, did they think the brand label was the reason. The two major retail chains responded *no* to both questions. The third chain responded that *yes* they thought they paid a premium, but *no*, the brand label was not the reason, it was the apple quality. Table 9.4 presents the absolute responses from non-supermarket retailers.

Table 9.4

Wholesale price premiums for labelled apples

n = 43	Paid a premium	Because of the brand label
Yes	31	20
No	6	16
Don't know	6	7

The majority of non-supermarket retailers responded that *yes* they thought they had paid a premium for brand labelled apples. Of those that said *yes*, most reasoned that the placement of labels on fruit was not costless and that the cost was passed on. Others said

they thought the reason was the quality of the apples but yes there was a correlation between quality and brand labels.

Given these results hypothesis A2.12 should be rejected.

9.7 The relationship between brand labels and premiums

In this section a hypothesis is proposed to determine if there is a relationship between the belief by the retailer that they pay a premium for brand labelled apples and the belief that the label is the predominant reason for that premium.

The null hypothesis is:

H_0 = *Retailers' belief that they paid a premium for brand labelled apples is independent of their belief that the brand label was predominantly responsible for the premium.*

The alternative hypothesis is:

H_1 = *The null is incorrect.*

The observed frequencies of 31, 6 and 6 from 43, and 20, 16 and 7 from 43, returned a X^2 (2) of 6.995. With alpha set at 0.05, X^2 (df) = 5.99. Because $X^2 = 6.995$ is in the rejection zone, the null hypothesis can be rejected. The data offers support for a difference between the relative frequency distributions. The implication is; that retailers who believe they pay a premium for brand labelled apples do not necessarily believe that the label is the reason.

9.8 Consumers and brands

Question Five of the interview asked retailers if customers ever asked for a particular brand of apple. Of the forty-six responses including the three supermarket chains, twenty responded positively. Of the twenty responding positively, eleven named Batlow as the brand requested and two named Montague. Further analysis was undertaken. It was decided to determine if these twenty positive respondents stocked more labelled displays than non-labelled displays. Of the twenty retailers who responded positively, every single one stocked more labelled displays than non-labelled.

A further analysis was conducted to determine if those retailers who had named a brand as one which customers demanded also stocked that brand. Again the result was significant with only one of the respondents not carrying the preferred brand.

9.9 Same variety, same size, brand choice

Hypothesis A2.13 is designed to determine if retailers ever give their customers brand choice. To give brand choice the retailer would have to exhibit at the same point in time displays of the same variety and same size of apples, but of different brands. Previously it has been argued that non-labelled apples are a brand of apple, that is, a generic or store brand. Therefore, in order to provide brand competition it would be necessary for the retailer to display non-labelled and labelled apples of the same variety and size, in separate displays, at the same time. Alternatively, the retailer could display different brands of labelled apples of the same variety and size, in separate displays at the same time.

At Question Six of the interview retailers were asked if they ever did this. The responses to Question Six are recorded in Table 9.5.

Table 9.5

How often have you intentionally given shoppers a choice of brand

% of time in the last three months	Number of respondents
0	41
25	4
75	1

The results are significant in that retailers don't believe they consciously give consumers a choice of brands. The results from the observation survey, however, are somewhat different. Three sets of conditions were tested. The first, displays of the same variety and same size. The second, displays of the same variety with small size displays and medium size displays combined. The third, displays of the same variety with medium size displays and large size displays combined. These combinations were used to allow for any errors in correctly identifying the sizes of apple in displays. Some outlets were found in each set and have been eliminated from all but the first. The results were not as expected.

Table 9.6
Observed brand choice

Category	Number of outlets
Same variety same size	14
Same variety small and medium	6
Same variety medium and large	3

The results clearly indicate that some retailers do give consumers a choice of brands. Fourteen from a sample of forty-three definitely gave consumers a choice between brand labelled and non-labelled apples displayed separately, or between brand labelled apples displayed separately. This is not an overwhelming number. Of more interest, however, is the fact that these retailers did not recognise their own behaviour. In the past it may have been the case that these retailers were in the habit of behaving in this manner with a price differentiation. The current behaviour would be consistent with past practices if labelled apples assumed the higher price role. Given retailer responses to the wholesale price premium question, it seems in order to assume that labelled apples in general attract a price premium. There appears to be sufficient support for a rejection of Hypothesis A2.13 but, it is noted that some retailers do in fact provide brand choice in apples. Price premiums at the retail level are addressed in Chapter 10.

9.10 Conclusion

All five hypotheses considered in this chapter have been rejected. Retailers overwhelmingly consider that brand labels on apples provide more benefits than not, although from the responses there could be an argument that many retailers feel any label would do (Appendix L). Brand labels certainly do not rate highly in the purchase decisions of retailers, however, if the other criteria are satisfied about eighty percent of retailers say labels then assume importance. Retailers believe that they pay a premium for brand labelled apples but the researcher did not detect any resentment to this belief. Lastly, despite what they say, some retailers do provide consumers with brand competition by displaying separately, different brands of the same variety and size of apple.

10 Price premiums

10.1 Introduction

In this chapter the issue of price premiums at the retail level is discussed. If brand labelled apples at the retail level do not attract a price premium or increase market share at constant prices, there can be no rationale for brand labelling. The collection of price data at the retail level, however, is complicated by the division of the market into a number of strata.

10.2 Apple strata for meaningful market research

Apples are marketed by variety and size. As discussed previously a number of size categories could be determined at the wholesale level. At the retail level, however, there appear to be only three sizes; small, medium and large. Meaningful price data must cater for the division by variety and by size. There are, however, at least two other divisions. Apples are priced in two different ways. The first is by weight, generally 'so many dollars' per kilo. The second is by number, generally 'so many apples' for say \$3.00. This dual pricing system has important implications for data sample sizes, implications which were not thought of prior to the field trip. As an example, a sample of 100 apple displays must be categorised by variety. If there were only two varieties evenly distributed throughout the sample, the sample population of each stratum is 50. We are now required to divide these stratum into small, medium and large apples. If the sizes were evenly distributed, the population of each sample now reduces to 16. We are now required to categorise by the relevant price quotation method, which reduces each sample population to only 8. Assuming even distribution of these factors through the population of apple displays, we would require 375 apple displays to achieve a sample size of 30 in each stratum. If we introduce say ten brands as another set of strata, and increase the number of varieties by any significant amount, we require thousands of apple displays as a meaningful starting sample. The total number of apple displays surveyed in this work was 426.

10.3 The hypothesis

The hypothesis to be tested in this section is:

A2.14 Brand labelled apples do not attract a price premium over non-labelled apples at the retail level

10.4 Aggregate prices for labelled and non-labelled apples

The retail prices of brand labelled apples were compared to non-labelled apples with Tables 10.1 and 10.2 detailing the results. The prices of apples are given by size and were recorded in two categories:

1. prices of single apples where the prices were displayed by number; eg. 5 apples for \$2.00; and
2. prices displayed by weight; eg. \$2.00 per kilo.

Table 10.1

Prices of a single small, single medium and a single large apple, where the prices are quoted by the number of apples per \$.

Total sample size 182	Small	Medium	Large
Price - Labelled	0.27	0.31	0.59
Price - Non-labelled	0.20	0.27	0.30
Standard deviation - Labelled	0.24	0.22	0.36
Standard deviation - Non-labelled	0.04	0.07	0.08

Table 10.2

Prices of small, medium and large apples, where the prices are quoted by the number of \$ per kilo.

Total sample size 244	Small	Medium	Large
Price - Labelled	2.07	2.23	2.68
Price - Non-labelled	1.87	2.16	2.28
Standard deviation - Labelled	0.49	0.52	0.62
Standard deviation - Non-labelled	0.40	0.55	0.40

The results are a strong indication that at the retail level labelled apples attract a premium to non-labelled apples. This is particularly so for large individually priced apples, as these tend to be the premium fruit. It is also notable that the standard deviations for the samples priced by number are much tighter than those priced by weight, with non-labelled apples very consistently priced across all outlets. The standard deviations of labelled apples priced by number exhibit greater variability. The reason for this difference is likely to be variety based. Non-labelled apples tend to be the common varieties such as Granny Smith and Red Delicious. Labelled apples, while including these two varieties in large numbers, will also include the newer and mostly more expensive varieties such as Fuji, Lady Williams and Pink Lady.

10.5 Brand price premiums

As explained, the small sample sizes generated by the strata of brand, variety, pricing method and, size, reduced the availability of useful data. Even combining the pricing methods did not generate suitable samples. Numerous routines were run in an effort to identify useable sample sizes but the results were disappointing. The following tables detail the results generated from the most useable samples.

Table 10.3

Prices of large red delicious apples

Large red delicious	n	Mean	Sdev
Montague	9	2.65	.43
other	27	2.98	.82
Batlow	21	3.01	.93
other	15	2.75	.35

As indicated by Table 10.3 Batlow receives a premium in the large apple market. The montague *other* sample includes twenty-one Batlow samples and is therefore a little misleading as Montague may actually be receiving a premium to other large, presumably non-labelled, apples. Table 10.3 was constructed by combining the pricing methods. Table 10.4 is based upon large red delicious apples priced by weight only.

Table 10.4

Prices of large red delicious apples

Large red delicious	n	Mean	Sdev
Batlow	13	3.06	.52
other	15	2.75	.35

It is interesting that the price per kilo of Batlow in Table 10.4 is five cents a kilo higher than in Table 10.3 but, the standard deviation is some forty cents lower.

The other grouping to be reported is small Granny Smith.

Table 10.5

Prices of small granny smith

Small Granny Smith	n	Mean	Sdev
Batlow	7	1.75	.35
Pickworth	10	1.63	.16

The data in Table 10.5 is of limited value for this study but, it is another indication that prices do vary depending upon the brand of apple.

10.6 Conclusion

The nature of the retail apple market has been shown to complicate the generation of useable price data at the retail level. Researchers wishing to investigate retail apple prices are advised to obtain very large primary samples. There are indications however that different brands do attract different prices in the market and, therefore, Hypothesis A2.14 should be rejected. The question remains as to whether these premiums could have been attracted without brand labelling.

11 Summary, results and conclusions

11.1 Summary of the study

Apple packers in Australia are brand labelling their apples. The object of this study was to determine if in doing so packers were adding net value to their product. An aggregate economic study was unsuitable owing to the unavailability of aggregate data on labelled apples as opposed to unlabelled apples and, the unavailability of brand-specific data. The objective of packers in brand labelling their product was assumed to be the creation of brands. The rationale for the creation of brands was assumed to be the wish to adopt in part a *pull* strategy as opposed to the predominantly *push* marketing strategy associated with commodities. It was further rationalised that the ultimate aim of all packers is to obtain a competitive advantage over rivals, delivering as a minimum, either a price premium for their product or increased market share at constant prices.

Branding, however, is known to confer certain responsibilities upon the members of the marketing channels of distribution. The two most notable being quality assurance and brand promotion. The question of quality was beyond the scope of this study although price, known to be an indicator of quality in consumer behaviour, was used as a shadow measurement. Brand promotion is well researched and general measures of brand promotion relatively easy to observe at the retail level.

The study focused on the retail consumer interface as labels are designed to ultimately communicate with the consumer. A consumer study was not undertaken, rather it was deemed appropriate to determine the marketing behaviour of retailers, believing that to survive, retailers must provide for the needs of their customers. This implies that retailers are aware of, and respond to, their customer needs.

The retail focus is bi-directional as retailers not only communicate with their customers but with the other members of the distribution channel. Indeed it is this feedback to packers that has created the perception among them that retailers are unwilling to pay premiums for fruit unless they have a means of assuring customers that the fruit is genuinely a quality product. Packer marketing support for brands is part of the bi-directional marketing interface at the retail level.

Consumers were found to consist of two broad groups, knowledgeable and unknowledgeable fruit buyers. For the knowledgeable buyer it was hypothesised that while brand labels may attract, fruit selection will depend upon the characteristics they value. For the unknowledgeable buyer, brand labels are thought to reduce some of the risk associated with fresh food purchases. Transcending both groups are the convenience consumers. This grouping is a growing segment with convenience traded against other desired characteristics of fruit.

To gather the required information a two phase survey of a test market was conducted. The survey consisted of an interview with the retail buyer and an observation of the retail outlet to confirm the accuracy of retailer responses. The observation survey was also used to detect packer promotional support. The survey was conducted over a short period to obtain sensible price data and to obtain some uniformity in the varieties of apples available in the market. Apple marketing is quite different from many other types of produce marketing because of the existence of numerous definable product and consumer segments.

11.2 Summary of results

Packers were found to be wanting in their provision of brand promotion support to both retailers and consumers. Packers do provide some promotional material to retailers but do not provide merchandising staff to professionally assist retailers in its display. Retailers were found to improvise using apple cartons, carton tops and plastic inners to display packer names on apple displays. Retailers were doing their best to merchandise brands with little or no assistance from packers. Packers do not have consumer information or consumer hot-line telephone services and do not employ sales representatives to sell apples at the retail level. Packers are known to compromise brand integrity by releasing into the market branded CA apples nearing the end of their storage lives. The use of multiple brands by packers to differentiate between their first grade product and late in life CA fruit is non-existent. In summary, packers in general, stick apples on labels and it appears that in some cases any old apple will do. This is somewhat confusing when it is found that apple labels, apparently unlike the majority of other fruit labels, are predominantly brand labels rather than slogans.

Retailers are confused. The independent (non-supermarket) retailers know what brands are. They are supporting brands in many instances with little help from the packer. They know labels help sell fruit, they just don't know which labels. Supermarket chains on the other hand appear to be disinterested in the brand labelling of apples. Labelled apples attract price premiums at both the wholesale and retail level but since in this paper the label cannot meaningfully be separated from the other characteristics of the product, the dollar value cannot be determined. Supermarket apparent disinterest in brand labels, however, may be more of a function of consistency of supply than distaste for branding. It is acknowledged that labels add to costs. If supermarkets are forced to display apples of mixed brands to fill their shelves, they may question this additional cost. Of real interest to supermarkets was the adoption by packers of a label incorporating a price-look-up code. Notwithstanding all this, the occurrences of labelled apples dominated in independent and supermarket outlets, both as an industry aggregate and at the individual outlet level.

Brand labels do not rate highly in the purchase decisions of retailers. Retailers were found to satisfy their requirements of price (quality), variety and size, before the label assumed importance. Many claim that a very few customers occasionally ask for a particular brand of apple. Nearly all retailers said they did not give customers in-store brand choice, but, about a third actually did. Retailers that used brand promotional material generally stocked that brand of apple, but, some did not. Retailers do not mix more than one variety, or more than one size of apple in a display and, predominantly separate labelled from non-labelled apples and, brand from brand. Retailers accept they pay a premium for brand labelled apples and show no resentment.

There was evidence of brand dominance in terms of market share as defined in this paper. Dominance by that particular brand may be specific to the test market but indicates that dominance of other geographical markets is possible.

11.3 Further research

The most obvious future research is the dollar value of the label in attracting price premiums or in gaining market share. Researchers are cautioned as to the complexity of this research and the requirement for very large primary samples at the retail level if useable price data is sought.

Product life-cycle tables are another useful marketing research avenue. The product life-cycle table contained in this paper is thought to be the most comprehensive available but, has been constructed based upon opinion rather than any hard research. A history of the life-cycles of apple varieties in Australia may be the appropriate place to commence. A theoretical product life-cycle model for Australian apple varieties is required and would be an integral component of a brand life-cycle model.

The fact that labels on apples in Australia are almost exclusively brand labels raises the question in regard to other fruit. What is the situation with labelling of other fruits and if there is a notable difference, why?

Consumer researchers may be interested in the concept of knowledgeable and unknowledgeable apple or fresh produce consumers. If the existence of these two groups is confirmed by other studies and, more usefully defined, there are numerous marketing and research implications regarding the strategies these groups may adopt.

11.4 Conclusion

The paper's central hypothesis is rejected. Rejected, not on the basis that branding of apples is unfeasible, or does not have the potential to add net value to the packing operation, but rejected on the basis that most packers have not demonstrated that they understand that a package of marketing behaviour must accompany the label. For labelling to effectively create a brand, labels must be placed on apples, not apples on

labels. The placement by apple packers of adhesive brand labels on apples is therefore, irrational marketing behaviour.

All twenty-four Level3 hypotheses have been rejected. Hypothesis A1 is rejected. Hypothesis A2 is rejected.

Hypotheses were used in this study to focus the mind of the researcher and the reader on the relevant marketing mix element. It was not intended that the hypotheses should be definitive. This paper was an exploratory study, its scope restricted by the unavailability of industry-wide price and sales volume data differentiating labelled and unlabelled apples.

Hypothesis A1 is rejected because of the differing opinions and behaviour of the supermarket chains and the non-supermarket retail outlets. Supermarkets are not interested in the current brand labels but, are interested in a label which will solve their check-out problems. There appears to be brand dominance in the Newcastle market but, the share of the market held by supermarkets may threaten this. Additionally brand dominance is a threat to the smaller brands competing in an intensive distribution system. Packers do not employ sales representatives or provide the other services consumers are coming to expect from branded products. Retailers, however, were found to stock labelled apples in larger proportions than non-labelled and, to display these labelled apples predominantly in one-only-label displays. Apple labels were found to be brand labels as opposed to variety labels but few packers found to be supplying brand promotional material to retailers.

Hypothesis A2 is rejected because although retailers are restricted by the lack of support from packers, many exhibited marketing behaviour consistent with the retailing of branded products. In general retailers are enthusiastic about labels on apples, if a little unsure of what type of label best sells the product. They use promotional material if it is provided and not one non-supermarket retailer was found who thought the disadvantages of stocking labelled apples outweighed the advantages. Retailers were found to be primed for acceptance of apple branding by the historical marketing of apples by variety and size. Branding would be just an incremental step not in conflict with previous norms. While labels did not rank highly in the purchase decisions of retailers, they did assume importance if other criteria were satisfied.

Labelled apples have been shown to attract premiums at both the retail and wholesale levels and more compelling, there appears to be market dominance by one or two brands in the test market. If the central hypothesis had referred to the market leaders, it would not have been rejected. It has been rejected because none but the largest packers have a reasonable hope of achieving brand promotion on a national scale. Second tier packers, conscious of the issues addressed in this paper, however, have the choice of market

segmentation; most likely geographical segmentation. A good operator focusing on a manageable geographic segment may be capable of utilising established marketing tools to effectively carve out a share of the market. This could be achieved by creating a brand with strong local support. Local, that is, to the selected retail outlets.

Branding for second tier firms implies foregoing intensive distribution and adopting selective distribution. For this to occur, however, those packers would need to forge strong contractual links with a few selected wholesalers and, to establish direct links with selected retailers. Indeed, this is quite fundamental marketing theory which seems to have been overlooked by the majority of packers currently brand labelling their apples.

It is the conclusion of this paper that major apple packers following an intensive distribution strategy can add value to their product by brand labelling. The amount of value, however, is dependent upon the maintenance of brand integrity. Releasing deteriorating CA apples carrying your prime brand name into the market is irrational. Not controlling quality through the chain is irrational. For second tier firms brand labelling their apples, joint intensive distribution and chain quality control, are not likely to be possible. Better to focus your apples at particular market segments.