

DESIGN EFFECTIVENESS AWARDS 2010

4. Packaging 4.4 own brand - food

Client: Fresh & Easy Neighborhood Market - (Tesco USA)

Design consultancy: P&W Design



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Executive Summary

This is the story of Fresh & Easy Neighborhood market, Tesco's US venture and how the packaging design of it's own brand played a pivotal role in building customer loyalty and changing the spending patterns and habits of US consumers who are usually heavily brand loyal.

Not a Tesco format taken to the US, everything was built & created from the ground up, small format stores in local neighborhoods with local suppliers where possible and completely new branding and packaging.

The scope of the brief was immense, defining the brand in collaboration with other communication agencies and communicate the brand values through the product packaging. Successfully designing over 600 SKUs in less than 7 months.

Given that the chain did not undertake any major marketing or advertising campaigns until the second half of 2009, the distinctive design of the private-label packaging played a major role in communicating the brand values and establishing loyalty amongst consumers in an immensely crowded market.

The results were customer loyalty and recommendation scores higher than ever seen before by an independent research firm and growing sales during an economic gloom.

"Fresh & Easy monthly spend per regular customer matches Wal-mart already."

(Execution Ltd - research Tesco Fresh & Easy - 12 may 2008)

"Fresh & Easy customers are incredibly loyal. Once we've had a customer come into our shop, they rarely go elsewhere."

(According to Tesco's Group Finance Director Laurie McIlwee, interviewed for German newspaper Lebensmittel Zeitung 22 Jan 2010)

"We asked interviewees how likely they are to recommend Fresh & Easy to family and friends on a scale of 1-10. A staggering 90% of all interviewees gave F&E a score of 8 or higher, with 71% giving Fresh & Easy full marks. To give this context, this is the highest recommendation score Execution's primary research team has ever seen."

(Execution Ltd - research Tesco Fresh & Easy - 12 may 2008)

Project brief

P&W was briefed to create a distinctive packaging identity for Fresh & Easy's own-brand grocery range. With no advertising support to establish the new chain to its potential customers, the packaging played a key role in communicating the brand personality and values to shoppers. True to the straight-talking aspect of the personality, the packaging needed to provide a vehicle for brand communication as well as playing a practical role in helping the shopper to navigate.

Objectives for the packaging

- To communicate brand values of Honesty, Good Value, Straight talking, Healthy, Easy to shop, 'Great food you can trust'
- To create Shelf impact and attract customers from other retailers
- To be unique and different
- To be easy and clear to navigate in a cluttered market
- To help establish loyalty to the Fresh and Easy range amongst target shoppers

Description

When Tesco decided to expand into the world's richest grocery market, the USA, to gain a share of its more than two trillion dollar grocery market, (Planet Retail, 23 February 2009), the UK retail giant knew that had to pay heed to the old adage that the two countries are divided by a common language.

The grocery market in the USA is fundamentally different from the UK market, far more fragmented with even market leader Wal-Mart accounting for just 15% of the market (Planet Retail IUS market overview, February 2009), and major national chains such as Kroger, Target and Sears all below five percent in share. Importing a successful UK format and dropping it in to the US retail landscape just would not do.

Extensive research indicated that the shopping experience offered by existing players was complex and confusing; while the choice available was massive, the sheer number of available brands made stores hard to navigate and difficult to shop. Moreover, the disparity in income levels in urban areas meant that the retailers tended to focus on more affluent areas, leaving lower-income areas, "Food Deserts" in the colloquial lexicon, under-served by retailers. Having spent time talking to, and even living with, consumers, Tesco's US team were convinced that there was an appetite amongst lower- and middle-income families for affordable, fresh and convenient food that was available locally.

Overview of market

Tesco chose to focus its launch on the most populous state, California, and selected as its focus the greater conurbation of Los Angeles, California, the second-most populous urban area in the USA (population 12,829,000 according to 2003 figures (Planet Retail US demography report, 2009). Tesco knew that to be

successful would require a bespoke new format tailored to the requirements of Californian consumers and offering something genuinely different from the competition.

New store openings would also target Food Deserts to offer those consumers without access to a major national chain the chance to obtain good-quality food locally, and the stores would carry a reduced selection of brands relative to the competition, to simplify product selection and help to emphasize the quality of the chain's own-brand offer.

A high-risk decision, as American consumers are immensely brand loyal, own brand in the USA is generally responded to negatively.

The own brand offer at Fresh & Easy had to dare to be different, not only to entice people to try it, but to result in repeat purchase. The Fresh & Easy offer had to be understood through the packaging communication, something competitors had failed to do due to lack of emotion and personality.

Ralphs Supermarket - own brand label design



Wal-Mart - own brand label design



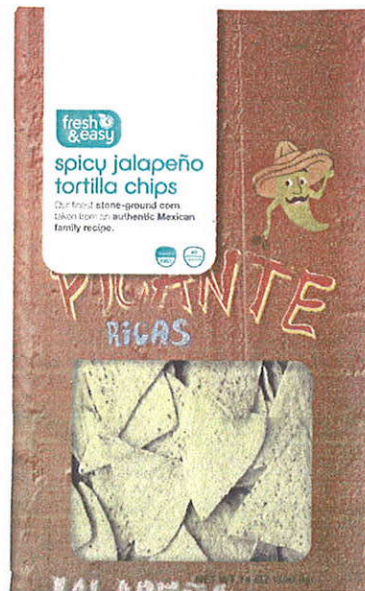
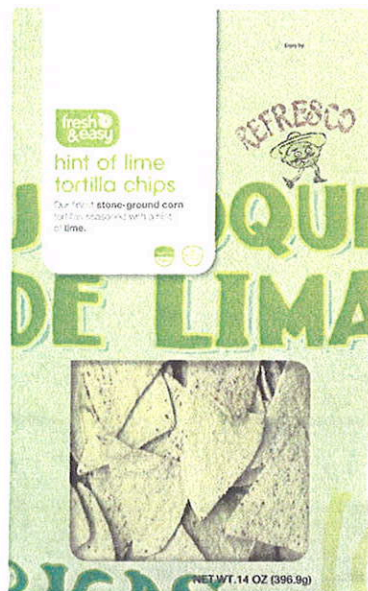
Project Launch date

31 October 2007

Size of design budget

> £100,000









Summary of results

"Move over Trader Joe's, Fresh & Easy is the new cult retailer"
(Execution Ltd - research Tesco Fresh & Easy - 12 may 2008)

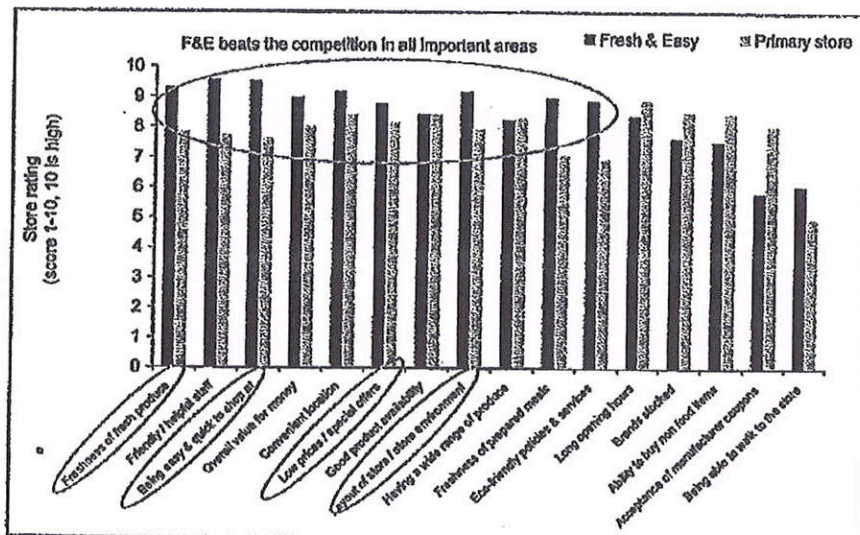
Although there are restrictions on what data we can show due to respecting the client's commercial sensitivity, the overall proof of the pudding is that Fresh & Easy are still opening stores at a time where Wal-Mart's response Marketside has been abandoned due to poor results. It continues to be a key part of Tesco expansion and the retailers sales are up 58% in the states, year on year. This is against the background of commentators believing that the venture would go the 'same way as most UK retail ventures into the US do, i.e. an embarrassment and an expensive lesson'

So, could Fresh & Easy do what others had failed to do and build a business from scratch in the US and take share from the likes of Wal-Mart?

The research we can share shows a strong performance in attracting new customers, driving loyalty and in the absence of other marketing activity it has to be concluded that the packaging design and development had a significant part in this.

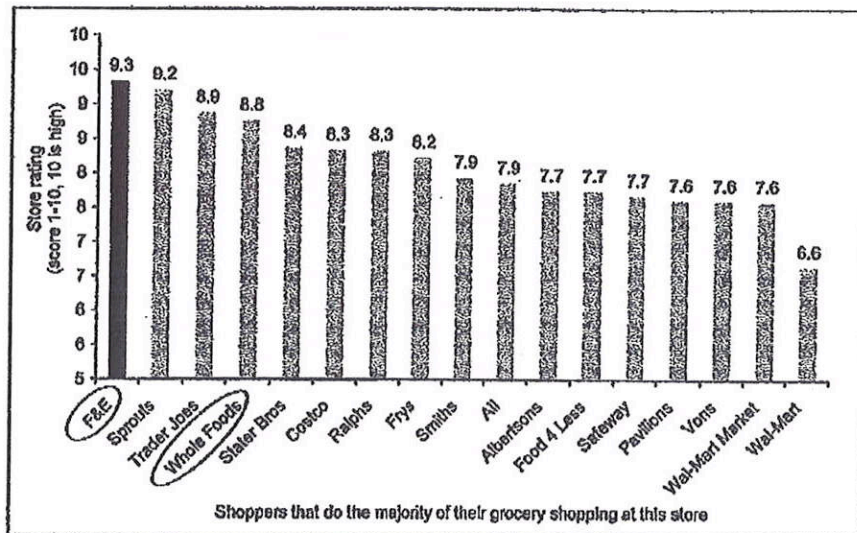
1, Did we communicate the Brand Values?

Figure 3: Fresh & Easy takes US retailers on at their own game, and wins



Source: Execution Primary Research / Execution Limited

Figure 4: F&E beats Whole Foods for freshness...



Source: Execution Primary Research / Execution Limited

" We had a lot to do in communicating our proposition from scratch to US customers and I have no doubt the packaging designed by P&W played a key role in helping to communicate that proposition efficiently "

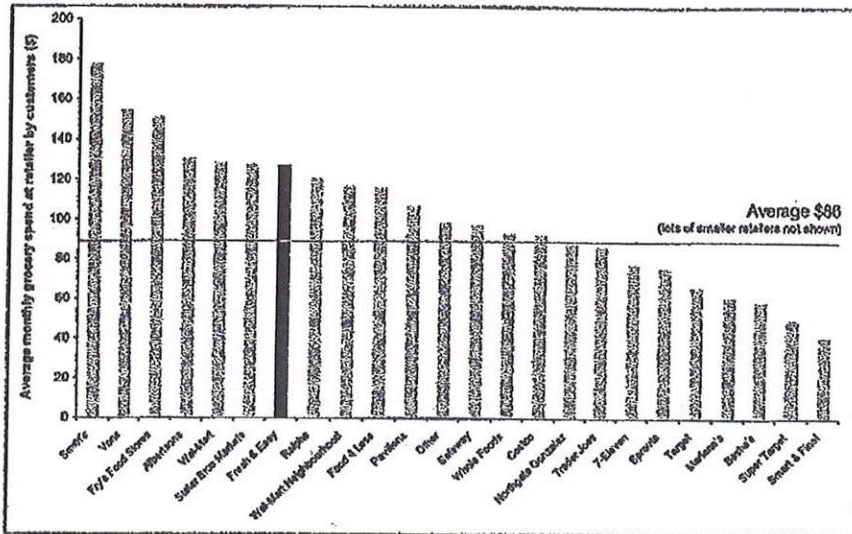
-John Burry, Chief Commercial Officer, Fresh & Easy

2, Did we create shelf impact and attract customers from other retailers?

Fresh & Easy is attracting customers from a wide range of competitor retailers, not only regular shoppers at supermarkets such as Albertsons, Vons and Ralphs but also Wal-Mart, Costco and the upmarket Trader Joe's. According to Execution Research Fresh & Easy is attracting over 2000 new customers per week. Their view is that footfall will continue to increase by as much as 500% as awareness of the brand grows, ahead of initial projections. Average US spend in retailers per visit is around \$30 per store each week. Fresh & Easy is already achieving \$125-135 per month spend from its customers so is well up to this average already.

3, Did we manage to be unique and different?

Figure 9: F&E monthly spend per regular customer matches Wal-Mart already

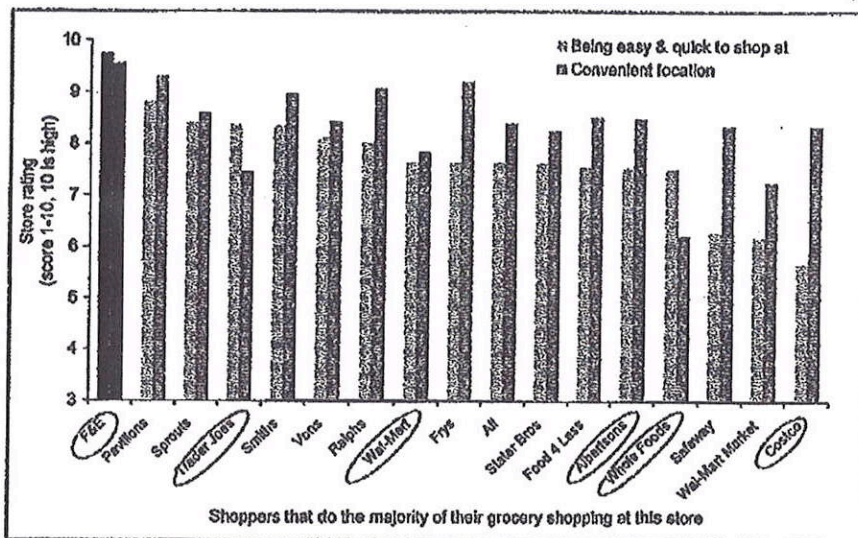


Source: Execution Primary Research / Execution Limited

The brand has developed a proposition that makes it stand out from the competitors and despite the usual loyalty of US retail shoppers has driven increasing value from them
In customer research over 50% of these new customers gave product packaging as a key reason why they liked the store.

4, Did we manage to be easy and clear to navigate in a cluttered market?

Figure 6: ...and everyone for ease of shop and convenience



Source: Execution Primary Research / Execution Limited

The research showed that the customers while used to their usual stores found the retail environment enjoyable and easy to shop.

The data showed that Fresh & Easy pleased customers so much that the agency commented that it was 'an almost perfect recommendation score' of 96% compared to the next highest of Trader Joe at 65%

5, Did we help fresh and easy to win loyalty?

We asked interviewees how likely they are to recommend Fresh & Easy to family and friends on a scale of 1-10, 10 denotes a satisfied customer with a strong intention to recommend. A staggering 90% of all interviewees gave F&E a score of 8 or higher, with 71% giving Fresh & Easy full marks. To give this context, this is the highest recommendation score Execution's primary research team has ever seen (from over 200 brand evaluations) and puts even Trader Joe's in the shade.

(Execution Ltd - research Tesco Fresh & Easy - 12 may 2008)

"Fresh & Easy customers are incredibly loyal. Once we've had a customer come into our shop, they rarely go elsewhere."

(According to Tesco's Group Finance Director Laurie McIlwee, interviewed for German newspaper Lebensmittel Zeitung 22 Jan 2010)

Given that the chain did not undertake any major marketing or advertising campaigns until the second half of 2009, the distinctive design of the private-label packaging played a major role in communicating the brand values and establishing this loyalty amongst consumers, and enabling the chain to buck the market trend.

The research agency concludes...

"Overall we think that the retailer is punching well above its weight in delivering what customers really want "



Research resources

Execution Ltd - research Tesco Fresh & Easy - 12 may 2008

Tesco's Group Finance Director Laurie McIlwee, interviewed for German newspaper Lebensmittel Zeitung 22 Jan 2010)

Tesco full-year profit up 9 pct" -By Robert Barr www.businessweek.com/ap/financialnews April 20, 2010

www.storebrandsdecisions.com

Planet Retail US market overview, February 2009

Other influencing factors

Was it the Marketing campaign?

No, Fresh & Easy did not undertake any major marketing and advertising until Sept 09, and even then it was still very little especially by US standards.

For launch - Sept 2009

Fresh & Easy ideas flyer, distributed to 1 mile radius of store locations

Sept 2009 - present

Fresh & Easy flyer & coupon

Radio commercials

Billboards

Posters

Now, it's roughly quarterly and planned around new store openings.

Did the base price become more competitive?

Pricing not changed dramatically since initial launch.

Were there more product promotions?

Everyday low price, no coupons, less than the competition has by far.

Were there more Instore promotional headers / Display changes

Only adding some branded 'shippers' (instore temporary displays) around the seasons, e.g. Hershey's chocolate Easter display

Not used for promotions, headers usually only highlight 1 F&E product range per 4ft MOD with everyday price

Entry form included



Outline of design solution

Working in collaboration with US advertising agency Deutsch LA, P&W was involved with the creation of the new brand, defining overall brand personality and values. To provide cut-through in this crowded sector, the core tenets of the new chain were defined as: Honest, Good Value, Straight Talking, Healthy, Easy to Shop.

Rather than a monolithic identity, P&W developed a "visual glue" to give the range coherence, whilst offering a degree of flexibility and helping the consumer with clear language, information hierarchy and visual representation.

The visual glue was based on three principles to guide packaging design

- Clarity (where possible, always show the product)
- Food values (photography and imagery emphasising the care and quality behind Fresh & Easy products)
- Authenticity (where there is a story to be told, tell it through packaging).

P&W designed over 600 SKUs in seven months as part of phase one for initial launch, in 2006/7.

2008-2009 encompassed the chain's first non-food items, such as the Retreat range of personal care products and up to 1000 SKUs have been designed to date.

2010 - on going relationship-showing confidence in P&W's design solutions