

Best bet for Kraft Heinz: Un-Kraft

Bruce Horowitz , USA TODAY 6:33 p.m. EDT March 26, 2015

(Photo: Paul Sakuma, AP)

7 CONNECT 6 LINKEDIN EMAIL MORE

Kraft's richest assets may be ingrained in its storied past, but under Heinz, the trick will be to transport the likes of Jell-O, Cheez Whiz and Kool-Aid into modern-day relevance.

That won't be simple. Millennial and Gen Z consumers are less enamored with bottled cheeses and more focused on what kinds of ingredients must be added to make any sort of cheese-ish product survive for eons outside of the fridge.

Even then, food industry consultants, brand experts and image gurus say Kraft's evolution into something more relevant is doable. Just one day after H.J. Heinz and Kraft Foods Group announced plans to merge into the world's fifth-largest food and beverage company, the newly-formed Kraft Heinz Co. must figure out how to bring Kraft's billion-dollar brands into the 21st century — and beyond. Here's how:

- **Create healthier foods.** "There must be less marketing of better-for-you claims and more manufacturing of better-for-you foods," says, Gary Stibel, CEO of The New England Consulting Group. Kraft could start by increasing more natural ingredients in its foods (like stevia and cane sugar) and more healthful ingredients (like fruits and nuts) and making a high-profile move, such as removing high-fructose corn syrup from all of its products, says brand consultant Denise Lee Yohn.

- **Innovate by combining.** Innovations will also be essential in the new company, so expect Kraft Heinz to look not only at novel products, but also "innovative combinations" of offerings from both portfolios, says Bruce Cohen, a senior partner leading the Consumer and Retail Private Equity & Strategy Practice at Kurt Salmon. He applauds more recent Kraft innovations like MiO Liquid Water Enhancer and the Oscar Mayer P3 Portable Protein Pack.



USA TODAY

Heinz, Kraft to create world's No. 5 food company

- **Consolidate brands.** More than just about anything, the new company needs to "clean up" Kraft's overly-hefty brand portfolio, says brand consultant Martin Lindstrom. Among other things, it should ensure no brand valued less than \$1 billion remains in the portfolio, he suggests.
- **Concoct disruptive products.** Real innovation requires more than line extensions, says Jim Hertel, managing partner at Willard Bishop, a retail consulting firm. "Disruptive innovation brings new users to a category," he says, and increases the consumer's spending in a category. Greek yogurt, for example, brought a lot of new users to the yogurt category.

AMERICA'S MARKETS

Food stocks rise after Kraft-Heinz merger disclosure

- **Appeal to Millennials.** There are several ways to approach Millennials. One, is to go after Millennial families, says Hertel, who typically want healthy, convenient foods that fit into an on-the-go lifestyle. This means investment in new products like natural, organic and gluten-free foods and healthy snacks.

Another Millennial option: nostalgia. Velveeta, for example, is a processed food product, so there's not much it can do to address people seeking more natural, less processed foods. But it can emphasize the nostalgia and comfort food perceptions of the brand and try to make Velveeta "cool" to Millennials by borrowing a page from Spam's playbook, says Yohn.

- **Segment into mini-brands.** One key move for the new company is to avoid the temptation to throw the big spotlight on the Kraft name, instead of segmenting Kraft out into smaller brands, much like Nestle has successfully done, suggests Laurel Mintz, a Los Angeles-based brand consultant.



USA TODAY

Kraft Heinz owners include a Brazilian ex-surfer

• **Go ethnic.** Heinz may help Kraft here, says Yohn, because of the varieties of sauces and condiments — like Sriracha and salsa ketchup — that the company has introduced in recent years as a way to appeal to younger customers interested in ethnic foods.

7 CONNECT 6 LINKEDIN EMAIL MORE

