

People & Places

Marketer gives apples an edge

Steve Lutz helps pioneer how grocery retailers sell fresh produce

By DAN WHEAT
Capital Press

WENATCHEE, Wash. — When Steve Lutz built his home in the upscale Fancher Heights subdivision overlooking Wenatchee in 2004, he added a putting green on the edge of the bluff even though he isn't a golfer.

"I like to chip. But the real reason is someone — when we sell this house — some golf fanatic is going to see that and have to have it. In the meantime, I like looking at it," Lutz says.

Always thinking about marketing, huh?

"That's what it is. Packaging, man," Lutz replies.

It's not the only example of Lutz, former Washington Apple Commission president, marketing consultant and avid triathlete, looking for a competitive edge.

Social skills

Fresh out of Washington State University in 1979 with a bachelor's degree in advertising, Lutz won a slot at the American Advertising Federation Student College Competition in Washington, D.C. He wanted his presentation to stand out, so Lutz got a box of apples.

"I was riding up the elevator with my box of apples and this girl from a northern Illinois team said, 'Those are Washington apples' and that she once lived in Olympia," Lutz recalled.

His props helped him place fifth out of 14 in the competition but, more importantly, they were a conversation starter with Jan Zander, who three years later became Jan Lutz.

"I gave him a hard time about brown-nosing the judges," Jan Lutz says about the competition. "But his presentation was great. He was eloquent, comfortable and witty, unlike me, when I get tongue-tied and nervous."

Steve Lutz says his parents instilled a good work ethic in him and that he determined — while helping his father develop orchards in East Wenatchee in the 1960s — that there must be an easier way to make a living.

His Wenatchee High School debate coach, Sherry Schreck, remembers Lutz being "blessed with a resonant, wonderfully persuasive voice" and that he knew how to use it.

He had good social skills and was liked by students and faculty, she says.

Lutz considered pre-law in college, but opted for broadcast journalism and then advertising and marketing at Washington State University.

Upon graduation, Lutz became public relations manager for the Washington Apple



Dan Wheat/Capital Press

Steve Lutz, vice president of marketing at Columbia Marketing International in Wenatchee, Wash., holds Kanzi apples on a Columbia Fruit Packers packing line Feb. 4. Lutz is an innovator in marketing fresh foods.

Commission in Wenatchee. He became retail marketing director for the commission, then worked for Cole & Weber, a Seattle advertising agency.

Lutz returned to the commission as director of domestic marketing in 1991 and was president from 1995 to 2000.

Genesis of an idea

At Cole & Weber, he saw that the wine industry had an "incredibly rich" system of sales data and figured a similar system could help the apple industry.

"We were still competing heavily with Midwestern and Eastern apples and needed to quantify financial benefits for retailers to change old habits," he says.

Retailers regarded apples as fall and winter produce. Lutz researched and developed data to show them they were leaving dollars on the table, that if they carried apples longer and offered two sizes of Red Delicious they could gain sales.

This was 1993 and 1994. Category management — the collection and analysis of sales data by product category to aid marketing strategy — was used by Chiquita in bananas, Dole in pineapples and Tanimura and Antle in lettuce and vegetables. It wasn't done with apples.

By using data to understand what drives sales, a marketer can become more valuable to a retailer and help determine the right mix, shelf space and timing of products.

"It was hard for a lot of people in the apple industry to accept that we could know more about the elements that

created success on the retail shelf than the retailer did," Lutz says. "We care about apples. The retailer has hundreds of items, so the only ones driving apples are those who sell them."

At the commission

He had "quite a sales job" to convince Apple Commission board members that spending \$200,000 on research and analytics could be just as valuable as a \$2 million ad buy.

Lutz won over a majority of the board and pursued development of category management with the help of Bruce Axtman, a partner in Willard Bishop Consulting of Chicago.

However, some in the Washington apple industry to this day view category management as a waste of time, and for them it is, Lutz says, if their business model is selling volume at the lowest price. "That's a valid model," he says.

At the commission, Lutz was able to convince retailers that Red Delicious was king of the apple market and get them to give it prominent display in two sizes, all to the chagrin of Midwest and Eastern competitors.

By the late 1990s, over-supply of Red Delicious was causing apple prices to fall. Lutz figured the industry might look for a scapegoat.

Several large companies, as they still do today, were holding back inventory to fill the gap between old and new crop, hopefully at good prices, but quality suffered.

"This was 1997 or 1998. We had a big crop and bad

Western Innovator

Steve Lutz

Age: 60

Born and raised: Wenatchee, Wash.

Family: Wife, Jan, former executive director of Wenatchee Wine Country, community volunteer. Three sons.



Education: Bachelor's degree in advertising, Washington State University, 1979; master's in business administration, City University, Seattle, 1989.

Occupation: Vice president of marketing, Columbia Marketing International, Wenatchee.

Work History: Washington Apple Commission, 1979-1985; Cole & Weber advertising, 1986-1991; Apple Commission, 1991-2000; The Perishables Group, 2000-2013; Columbia Marketing International, 2013 to present.

condition. A lot of fruit was going to market that shouldn't have gone. Apples were soft when they were shipped. They were trying to help growers get paid in the short term. But it kills consumers from coming back and hurts everyone in the long run," Lutz says.

Several on the commission asked Lutz to speak out about the need to maintain quality. He did.

"Some in the industry didn't want to hear that and they let me know it, and some didn't like the advertising we were doing," he says.

The Perishables Group

In 2000, Axtman wanted to expand category management and bought part of Willard Bishop from his partners to form The Perishables Group in Chicago, offering marketing consulting, communications, consumer research and performance analysis. Lutz left the commission and joined Axtman as a partner, working out of his East Wenatchee home.

Legal woes that would bring down the Apple Commission's large domestic marketing program in 2003 were on the horizon as the U.S. Supreme Court was hearing cases on the legality of commodity commissions.

Lutz was accused anonymously of violating state ethics by going to work for a company that benefited from Apple Commission contracts. A state ethics board dismissed the complaints because there had been no contract between The Perishables Group and the Apple Commission when Lutz was still at the commission. Lutz agreed not to participate in new contracts between The Perishables Group and the commission for one year.

Seven Washington apple companies hired The Perishables Group to continue category management. Six continue today, after the sale of Perishables Group to the Nielsen Co. The six are: Stemilt Growers, Columbia Marketing International and Oneonta Starr Ranch Growers, all of Wenatchee, and Sage Fruit Co., First Fruits Marketing of Washington and Rainier Fruit Co., of Yakima and Selah.

The Perishables Group expanded into other produce and

eventually into fresh meat, fresh seafood, fresh bakery and all fresh food.

Retailers helped drive it. They asked meat, seafood and bakery companies why they weren't doing it, Lutz says.

The company was tracking 2.3 million items in 19,000 grocery stores with a staff of 60 people. Since 2006, the Perishables Group had been getting its raw fresh food data from Nielsen as a byproduct of Nielsen's data collection for Budweiser and other non-fresh food companies.

"We had an elaborate system. Nielsen had the data but not the software and program for organizing it," Lutz says.

In 2012, Nielsen offered to buy the Perishables Group because retailers, noting more than half their profits come from fresh foods, wanted one source of category management information.

"If Nielsen turned off our faucet, we weren't viable, so they offered us a fair price and it all made sense," Lutz says. The company is now Nielsen Perishable Group and still in Chicago.

Greater need

Lutz became vice president of marketing for Columbia Marketing International, a major apple marketer in Wenatchee in 2013.

As the industry produces a proliferation of new apple varieties, category management becomes even more vital, he says.

"If three products generate 90 percent of your sales there is only so much you can do with analytics. But 40 varieties become more difficult to track. There's more ways for retailers to get it wrong and leave dollars on the table," Lutz says.

"We've seen that with Ambrosia (a McDougall & Sons variety). It's the 10th-best-selling apple in the U.S. but retailers didn't know. They had other niches of older varieties," he says.

At the industry's annual meeting in December, Lutz warned that newer varieties will continue to eat into shelf space of older varieties unless retailers are able to increase their income from apple space and then increase that space. That happens, Lutz says, as well-packaged popular newer varieties at higher prices out-sell older varieties.

Calendar

To submit an event go to the Community Events calendar on the home page of our website at www.capitalpress.com and click on "Submit an Event." Calendar items can also be mailed to Capital Press, 1400 Broadway St. NE, Salem, OR 97301.

Saturday, Feb. 27

Mid-Valley Winter Ag Fest, Polk County Fairgrounds, Rickreall, Ore., 503-428-8224. Events will promote local ag commerce and education and provide an environment that is fun and informative for the entire family. mwagfest.com/

Sunday, Feb. 28

Mid-Valley Winter Ag Fest, Polk County Fairgrounds, Rickreall, Ore., 503-428-8224. Events will promote local ag commerce and education and provide an environment that is fun and informative for the entire family. mwagfest.com/

Tuesday, March 1

Fruit Ripening & Ethylene Management Workshop, Postharvest Technology Center, University of California-Davis. <http://postharvest.ucdavis.edu/>

Wednesday, March 2

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Technology Center, University of California-Davis. <http://postharvest.ucdavis.edu/>

Friday, March 4

Pacific Northwest Christmas Tree Association 2016 Short Course, 8:30 a.m.-4:10 p.m., Holiday Inn Portland South, Wilsonville, Ore. <http://www.pnwcta.org/>

Ag Chemical Collection Event, Redwood Transfer Station, Grants Pass, Ore., 541-690-9983. Pre-registration is required by Feb. 18. www.rogueriverwc.org/

Saturday, March 5

Ag Chemical Collection Event, Rogue Disposal Transfer Station, White City, Ore., 541-690-9983. Pre-registration is required by Feb. 18. www.rogueriverwc.org/

Thursday, March 10

2016 Idaho Nutrient Management Conference, Best Western Sawtooth Inn, Jerome, 208-736-3605.

Saturday, March 12

Spring into Gardening, McMinnville Community Center, McMinnville, Ore., 503-434-7517. This year's theme will be Home Landscaping: Small Changes, Big Impact. Presented by Oregon

State University Extension and the Yamhill County Master Gardeners Association.

Friday, March 18

2016 Oregon FFA State Convention, Oregon State University, Corvallis. <http://www.oregonffa.com>

Northwest Horse Fair & Expo 2016, Linn County Fair and Expo Center, Albany, Ore. The largest equine expo in the Northwest will feature fancy dancing horses, strutting stallions, clinics by world-class horse trainers and riders, breed and stallion review demos, equine entertainment and a trade show. <http://equinepromotions.net/>

Saturday, March 19

Women in Agriculture Conference, 8:30 a.m.-3:30 p.m. Pacific time, 31 locations across the region. The 2016 Women in Agriculture Conference will offer women in Washington, Idaho, Oregon, Montana and Alaska a unique opportunity to gather in 31 locations for a one-day event featuring knowledgeable speakers, inspiring stories, networking with other producers and practical advice for learning new skills. <http://womeninag.wsu.edu/>

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Corvallis. <http://www.oregonffa.com>

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Wednesday, April 6
Idaho FFA State Leadership Conference, College of Southern Idaho, Twin Falls. idahoffa.org/

Thursday, April 7
Idaho FFA State Leadership Conference, College of Southern Idaho, Twin Falls. idahoffa.org/

Friday, April 8
Idaho FFA State Leadership Conference, College of Southern Idaho, Twin Falls. idahoffa.org/

Saturday, April 9
Idaho FFA State Leadership Conference, College of Southern Idaho, Twin Falls. idahoffa.org/

Wednesday, April 13
International Fair of Agricultural Technologies Conference and Exhibition, FEXPO Agricola Central, Talca, Chile

Thursday, April 14
International Fair of Agricultural Technologies Conference and Exhibition, FEXPO Agricola Central, Talca, Chile

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