

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, innovative marketing consultant and avid triathlete, looking for a competitive edge in everything he does.



Dan Wheat/Capital Press

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

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

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.

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 resonate, 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 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 competitors.

By the late 1990s, oversupply 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.

"We had a big crop and bad 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.

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.

In 2012, the Nielsen Co. 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.

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

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