

Campbell reinventing soups to attract younger consumer

By David Welch, Bloomberg

Campbell Soup's iconic red-and-white cans dominate nearly half the domestic market. That's a problem.

For the last several years, U.S. soup sales have been sliding. As a percentage of all frozen, canned and perishable food sales, the staple has shrunk by one-ninth since 2007, from 3.6 percent to 3.2 percent.

While Campbell sells V8 vegetable juice, Prego pasta sauce and a bevy of Pepperidge Farm snacks, soup remains its most important product line. Last year its U.S. Simple Meals unit, which relies heavily on soup products, accounted for 48 percent of its \$7.7 billion in sales and 64 percent of its \$1.3 billion in operating income. Those sales figures have fallen every year since 2007, and Campbell's North American soup business has lost market share since 2008.

Company executives cite a generational shift in tastes. Campbell's research shows that young consumers ages 18 to 29 are 15 percent less likely than the average consumer, and far less likely than middle-aged boomers, to buy soup. They eat out twice as often as their grandparents, and when they cook, they value easy preparation and fresher, more exotic ingredients over canned staples.

"They're more experimental," says Charles Vila, Campbell's vice president for consumer insights, who began inviting young consumers into the company's test kitchens last year to analyze their preferences. "They love to sample."

Vila's research squared with Trouble in Aisle 5, a recent study of young consumers' shopping habits by the research firm

Jefferies and the consulting firm Alix Partners. The ideal product, the study concludes, would be both high-end and simple.

Campbell's answer: Go! Soup, a ready-to-eat meals line coming this month in varieties that include chorizo, pulled chicken with black beans, and golden lentils with Madras curry. To provide fresher ingredients and speed preparation time, the new soup line eschews the traditional cans in favor of plastic pouches in colors such as fuchsia. Campbell is using similar pouches in its skillet sauces, another new line that includes flavors such as creamy chipotle.

The company will charge \$2.99 per pouch, or about three times the price of a can of one of its traditional soups. The question is whether a population grappling with higher-than-average unemployment will spend that kind of money for food in a pouch, says Ken Harris, a consultant who has worked for Campbell.

"If they sold it for 99 cents, they would have a runaway success," Harris says. "But for that buyer group, paying extra for an accompaniment to a meal may be a stretch."

ConAgra Foods sells its Healthy Choice entrees for less than \$2.40 each, and Amy's Kitchen of Petaluma, a privately held maker of organic soup, sells its offerings for less than \$2.30 a can.

Still, this wouldn't be Campbell's first success with soups at a higher price point. Its line of Slow Kettle Style soups sells well for \$3.99 a cup. Those recipes, which include burgundy beef stew, target an older audience.

Darren Serrao, vice president for innovation for Campbell's North American business, says Go! Soup can bridge the generation gap. Just as Starbucks has persuaded consumers to pay a premium for once-plebeian coffee, he says, "consumers are savvy enough to understand the value proposition."