

Latino Consumers a Boon for Kern's

Company hopes to expand sales with marketing geared toward Latino community

PLEASANTON - Kern's, a company known for its nectars, has achieved the type of cross-cultural appeal that companies pay consultants thousands to replicate. Now the company hopes to increase its market share with Latino consumers and at the same time expand sales to those it calls "culturally adventuresome" — shoppers who like trying ethnic products from miso soup to chile verde. "It's interesting how brands can migrate" from one group of consumers to another, said Tim Ross, a partner with Kendall Ross Brand Development and Design, a Seattle-based consulting firm. "Traditional consumers are looking to other (niches) as well." Kern's nectar, created in the 1930s, has a strong following among Latino consumers, and now the Pleasanton company is trying to score another hit with its line of Horchata, a cinnamon-flavored rice and milk-based beverage of Latino origin. The company makes 16 flavors of nectars including guava, strawberry, peach and papaya and three of horchata: original, mango and coffee. The company was founded by Julius Kerns in the 1920s in Southern California and started selling nectars about a decade later.

Nestle owned the brand under its Libby's division from 1985 to 2004, when a group of investors bought the brand, formed Kern's Beverages LLC and moved the headquarters to Pleasanton. Stremicks Heritage Foods, based in Santa Ana, owns most of the company, but it is managed by investors in Pleasanton. Sales last year, the company said, were about \$70 million, and are expected to grow 10 percent to 15 percent this year. The company faces a tough battle on supermarket shelves, with its aluminum cans filled with a beverage unfamiliar to many people next to colorful bottles marked juice, juice cocktail and juice blend. "They are looking into a niche in the market the big players aren't going for," said Pete Bucklin, professor emeritus of the UC Berkeley Hass School of Business. Kern's benefits from offering unique products that don't face competition from a large competitor, he said, but that means the company's growth could be limited. "To be successful in this arena," Bucklin said, "You have to excite your home base and

get people talking. ... The tastes of consumers are so established, they're going to have to be very clever to find ways to get this into the home." Made from pureed fruit, nectar is at the midpoint on the spectrum from fruit juice to smoothie, but it's not exactly a health drink. A 12-ounce can contains around 200 calories and 42 grams of sugar — higher than soda. Nonetheless, consumers, especially Latinos, are attracted to Kern's thick texture and flavors.

California is the company's biggest market followed by Florida, New York and Texas, all states with large Latino populations. Before the North America Free Trade Agreement, "Kern's was the nectar for the United States," said Bob Hill, president of Kern's Beverages LLC. After the law was passed in 1994, Grupo Jumex and Jugos del Valle, two nectar companies based in Mexico, entered the U.S. market, and they are Kern's main competition in the nectar category in the United States. Kern's strategy is to establish itself as more upscale. "Our positioning for Kern's is as a premium brand," said Mary Tarcynski, a Kern's spokeswoman. "It's a quality product that people are used to in Latin America." Marketing efforts include appearances by a hummingbird mascot named Pico, a sweepstakes to win money and prizes for a quincenera — a traditional coming-of-age party for Latino teenage girls — and tastings at community events and Catholic parishes. "They are a recognized brand, but as with any brand, it has to have the right kind of advertising and marketing support behind it," said Steve Roth, vice president of Ethnic Marketing Group, a company that arranges advertising for Kern's. "When Kern's Beverages took over the brand, they put in the marketing and resources to build the brand." That includes new packaging and different sizes for the company's nectars and other drinks. Hill said the focus on Latino consumers does not exclude shoppers of other backgrounds. "Not all our customers are Hispanic," Hill said. "We live in an environment where you go to the tacqueria down the street and the cultures intermingle."