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Promotion in the Marketing Mix: What Works, Where and Why

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COMMODITY PANEL DISCUSSION

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Research has highlighted many important factors about beef consumption trends. Research has shown that the decline in beef consumption is the result of a decline in the frequency of beef meals as opposed to a decline in the number of people consuming beef. Furthermore, the decline in consumption frequency has taken place at home as opposed to away from home. In the past 7 to 8 years, beef consumption at home has been declining while out of home consumption has been increasing. Although declining, 62% of all beef meals in the US continue to be consumed at home. Away from home, beef is already well advertised at quick service establishments such as McDonald's, Wendy's, Burger King. Furthermore, 77% of the beef in US restaurants is sold in quick service establishments.

While the frequency of light consumers of beef has stabilized, the frequency of moderate to heavy consumers of beef continues to decline as these consumers switch to poultry. Thus stabilizing the beef consumption of the moderate to heavy user is still the biggest challenge. In summary, research has indicated that 1) poultry is a key competitive threat, 2) the decline in consumption is due to a decline in frequency not penetration, 3) in-home consumption offers the greatest opportunity for gain, as does fresh beef versus processed beef and 4) the moderate to heavy users is where beef consumption is losing ground.

The immediate objective of the marketing programs at the Beef Industry Council is to *halt the decline* of beef meals. The long term objective of our marketing programs is to *increase* the number of beef meals consumed. The overall strategy is to increase interest and acceptance of beef relative to poultry. The primary target audience is the moderate and heavy user of beef. Convenience and versatility in beef consumption are desirable product attributes for consumers. Unfortunately, consumers do not perceive beef to be as convenient or as versatile as poultry.

The budget devoted to these tasks is made up of advertising and promotion. The proportion allocated to promotion is quite small, whereas advertising consumes almost 90% of the total. Promotion is undertaken in the retail and food service channels as well as public relations.

The objective in the retail trade channel is to arrest the decline of beef's share of the meatcase space in grocery stores frequented by heavy to moderate users. The strategy is to improve trade relations through case merchandising programs, consumer programs and product information materials. Much of the work done at the retail level involves dissemination of quick, convenient beef recipes. Recipe dissemination is thought to be the best means of addressing consumer's perceptions that beef is inconvenient and

complex to prepare.

In the food service channel the objective is to arrest the decline of beef's menu share in food service outlets frequented again by heavy to moderate consumers. This is done by improving food service operators' and distributors' attitudes about beef at quick service, fast food and casual dining channels. The focus in food service promotions is partnership. By working one on one with major restaurant chains, the use of beef products within these establishments is enhanced and promotion activities are increased.

In addition to television advertising, print advertising, in-store retail promotion with recipes and usage information, there is an aggressive public relations campaign targeted primarily at food communicators. The message to this audience includes information about versatility, convenience and health. In the area of consumer information and public relations, the objective is to create a positive perception of beef among target consumers and public thought leaders. This is done by increasing the acceptance of beef as a healthful, nutritious product among health professionals and generating interest in beef as a contemporary food that's easy and versatile. The public relations program focuses on nutrition while the consumer marketing programs focus on convenience and versatility.

In consumer advertising, the strategy is to improve attitudes about beef and build in home meal occasions. This is accomplished by providing targeted consumers with information regarding beef's versatility and beef's ability to fit into contemporary dinner time menus. At the same time, these programs remind consumers of the great taste of beef. The objective of supermarket promotions is to increase the number of at home beef meal occasions. This is done, by providing targeted consumers with contemporary, easy and versatile beef recipes and trial incentives. In the area of food service, the strategy is to increase the number of innovative beef menu items thereby improving the image of beef by targeted consumers as a versatile and contemporary meal.

In the past 3 years, market research has shown that this type of marketing works. Consumers' intentions to purchase beef at the retail level are increasing. In fact, the intentions of the moderate to heavy beef consumer have increased 6% over previous years. That's a significant increase based on the high level of usage of beef as a product category. Unfortunately, actual purchases are difficult and costly to track.

*Joanne Charlebois,
Chief Administration Officer,
Canadian Egg Marketing Agency*

The Canadian Egg Marketing Agency (CEMA) is a national marketing program, jointly funded by consumers and producers of eggs. Consumers pay 90% of the cost and this year, for the first time, egg producers will pay the remaining 10%. The cost to producers translates into a quarter cent per dozen eggs. CEMA's marketing budget has remained constant over the past 3 years at 5.1 million dollars. In collaboration with specialists at provincial egg marketing boards, the combined marketing expenditures by CEMA and the provincial egg boards is 7.5 million dollars. Based on sales of 500 million dollars, marketing expenditures represent one and a half percent of farmgate income, well below other industrial averages.

The objective of CEMA's marketing plan is twofold: to build positive attitudes towards eggs and to increase egg consumption. The marketing strategies identified to achieve these objectives are 1) to promote and to reinforce the benefits and nutritional merits of eggs, 2) to position eggs as the solution for today's busy lifestyle and 3) to maximize CEMA's relationships with shareholders. Shareholders include retailers, packers, the food service industry, regulatory agencies, health professionals, educators and the media.

Five program channels are identified in the marketing business plan at CEMA; 1) the retail channel (representing 11% of budget), 2) the food service channel (13%), 3) nutrition communications (14%), 4) direct consumer marketing (56%) and 5) co-op funding with provincial egg boards, research and development and a contingency (6%). Each program contains a variety of components, such as business to business, public relations, partnerships, advertising, promotion, indirect consumer promotions, resource materials, research, media and direct mail.

Although there is a commitment by CEMA to media advertising (56% of the budget), advertising alone does not meet CEMA's objectives. The philosophy at CEMA is to integrate supportive programs that ensure consumers are surrounded with positive messages about eggs from health professionals, retailers and the food service industry. In the past, CEMA programs have focused on raising consumer awareness of product. More recently, that focus has shifted to encouraging trial and adoption of new behaviours towards eggs. New campaigns focus on permission statements. As the cholesterol issue slowly fades away, consumers need permission to start eating eggs again. Although some of the program initiatives seek short term results, the philosophy at CEMA is to build on programs with a minimum 2 to 3 year lifespan.

A new program, introduced this year, is the retail business to business program. The introduction of this program was driven by the realization that marketing activities directed to the consumer at the grocery shelf were missing. Market research suggests that when consumers run out of eggs they do not, like milk, run to the grocery store to get it. In fact, the frequency of egg purchases is quite low at once every three weeks. From preliminary discussions with retailers it was found that they too were aware of the absence of egg marketing at the grocery level. Unfortunately, eggs are not a large profit item within the retail store. Therefore partnering with high profit margin products is necessary.

Partnering is a relatively new program initiative at CEMA and reflects the positive change in attitude toward eggs. Until recently, no one wanted to be associated with egg products. CEMA now receives one to two requests per month to enter into marketing partnerships. The primary emphasis in partnership programs for CEMA is to maximize budgets and establish long term relationships with shareholders that will service CEMA well in the future. Credible resource partners are important to executing marketing programs and delivering messages to health professionals and consumers.

To fill an information void, CEMA has developed and provided numerous resource kits for distribution by provincial boards. One resource kit that has experienced great success is the food service calendar. For the past 3 years, the food service calendar has offered recipes, nutrient analysis, costs per entree and an order form for additional

resource materials. Another successful resource program is called "Educating Egg". This program is targeted to school teachers. The program, lists all the educational material that school teachers can order. The personalized order form again goes to the provincial egg boards.

Each component of CEMA's marketing program is evaluated. Projects that do not pass evaluation are dropped. Methods of evaluation include resource material usage and sales data from industry partners. In a promotion late last fall, the redemption rate was 5% above the established minimum acceptable level. In two direct mail campaigns, the response rate for the food service program was 6% and for the health professional it was 9%. Consumption trends reported by Nielsen Marketing Research, Consumer Reports on Eating Share Trends, and Agriculture Canada are also analyzed. Egg sales appear strong. Although the Canadian economy is recovering from recession, egg consumption has increased 3% in the past 2 years. This increase is in sharp contrast to the steady decline in consumption since 1980. Canadian per capita consumption is 185 eggs or 15.4 dozen eggs. Retail sales are made up of 70% shell egg purchases, and 30% food service use.

The foundation of a good plan is research and that is the basis from which CEMA develops concepts, strategies and key messages. The majority of the research is done by tracking consumer and health professional attitudes and behaviors toward eggs. Egg sales and usage at the food service and retail levels are also monitored. Programs and activities are adapted to address changing attitudes towards the product and to maximize partnership opportunities. Partnerships, service and collaboration are essential in the marketing programs at CEMA. Change and the ability to respond to change are important to CEMA's marketing business program.

*Peter Daly,
Manager of Promotion and Marketing Development,
Ontario Pork*

The promotion mix at Ontario Pork includes advertising, public relations, sales promotion, event sponsorship, marketing, and new product development. Advertising at Ontario Pork is used to heighten consumer awareness, to inform consumers and to motivate and call consumers into action. Advertising is not necessarily generic, on the contrary, advertising is used to complement programs with retailers and the food service industry. Traditionally, Ontario Pork has used radio and print mediums. Future plans include the use of other vehicles in addition to radio and print.

A particularly successful public relations program has been Ontario Pork's use of a consumer inquiry 1-800 hotline. The questions received from consumers include how to prepare, handle and store pork products. The information obtained from consumers through this program complements market research results that investigate consumer concerns and interest in pork product. The 1-800 line is used in direct consumer response programs. The number is printed in all print advertising as a consumer call to action.

A new area of promotion for Ontario Pork is event sponsorship. Ontario Pork was a co-sponsor of the 1994 Tulip Festival in Ottawa that attracted 600,000 people. Other

areas of sponsorship include health conferences such as the Ontario Dietetic Association and the Canadian Dietetic Association. Emphasis is placed on trying to influence health professionals who council consumers on a daily basis. Although, it is hard to reach general practitioners, Ontario Pork has had tremendous success as a result of a program that was put together and executed by Canada Pork. The program was invaluable because it allowed doctors and assistants to communicate their concerns about pork to the Board and helped the Board to educate them about pork. Other target groups are education professionals and programs developed for junior to senior grade school children.

The market share of any red meat is not going to increase as a result of increased meat consumption, instead it is going to come at the expense of the competition. Therefore, an exciting new area of promotion at Ontario Pork is new product development. New product development is being achieved by actively seeking out and responding to packers and processors who are interested in expanding their line of pork products. This means working with retailers who are looking for an edge or a niche and helping them to redefine their private label products and fresh pork cuts. An example of this is the introduction of pork sausage that encompasses a new flavor profile and line extension with ethnic diversity. It is currently the fastest growing fresh meat product on the counter in Ontario today.

The strategy behind promotion programs at Ontario Pork is to share strategies, objectives and tactics with decision makers in boardrooms. By working with decision makers in their boardrooms, influence is achieved with the people who decide what's going to be on the menu, what's going to be produced at the processor's level, what's going to be in the flyer, and what's going to be on the counter. One problem with this approach is the difficulty in winning producer support for new product development. The producers struggle with the balance of the benefits from new products.

The process used to allocate budget between advertising and promotion is incorporated in the development of each year's marketing plan. The budget allocations for the year are based on successful programs from the previous year as well as the potential for success in the following year. The marketing team at Ontario Pork consider themselves to be suppliers and follow the discipline criteria of suppliers to build rapport and credibility with the trade. Trade specialists in retail and food service industries are important members of the marketing team, as is the part-time field staff that work throughout the province and the home economist who looks after education and nutrition efforts. Pork promotions were traditionally targeted during the summer months to counteract myths about pork in the summer and this appears to be effective since consumption has increased 8.6% between 1990 and 1992. An increase in budget for 1995 will see advertising frequency and reach heightened throughout all four seasons.

Measuring the effectiveness of promotion activities is very important to Ontario Pork. To measure effectiveness, tracking studies on sales in tones and units are used when a program is coordinated with a retail chain. Although bar codes on retail packages are being sought to allow for more detailed measurement, for now, measurement tools depend on partners in the food service and retail industry as well as distributor information about movement and the success of a particular promotion. Ontario Pork undertakes consumer research on attitudes and behaviors every 3 or 5 years. Focus groups are used to test new promotion and advertising ideas. The best measurement of the effectiveness of programs is the response received from partners within the industry and

from the consumer response to the 1-800 hotline. When Ontario Pork puts a promotion together and trade people say they want to run that promotion again, that indicates that the promotion worked.

*Thomas Hale,
President,
Washington State Apple Commission*

The allocation of promotion funds at the Washington State Apple Commission occurs at several levels. The first level of allocation is between domestic and international programs. The first priority in allocating funds to international programs is to meet the criteria that allows the Washington State Apple Commission to receive matching funds from the USDA Export Promotion Program. Meeting these criteria brings an additional 4 million dollars of promotion funds to the commission.

The second priority in allocating funds between domestic and international programs is to examine the growth potential of each market. Growth potential is determined with the use of a demand model developed by Dr. Vicki McCracken at Washington State University. The model assists in 1) the analyses of relative market opportunities, 2) the identification of international markets with the highest growth potential, 3) the prioritization between markets (by population, self-sufficiency ratios, GDP growth), 4) the projection of price response to changing market conditions, and 5) the impact of promotion on wholesale and FOB prices. To date, the domestic and international models have not been integrated nor have the models been able to discern the appropriate allocation between activities. Demand models are an analytical tool that help to make the marketplace understandable. They do not necessarily tell you where and how to allocate your promotion budget.

Another important decision criterion in the allocation of international promotion funds is risk. Political instability is perhaps the most troublesome in international markets. Monetary policies and the availability of foreign exchange must be considered as well as trade barriers and trade stability. Finally, the risk associated with the marketer's interest must also be assessed. Marketer's interest is indicated by business levels and levels of commitment to market product.

On the domestic side, the commission allocates funds between many different programs such as advertising, trade promotion, public relations, food service, etc. The benchmarks used to allocate funds to these programs involve an assessment of the program's ability to 1) meet communication goals and policies, 2) respond to market conditions, 3) meet response likelihood targets 4) meet budget limitations, 5) tie in with new ventures, and 6) meet industry policies and pressures.

The communication goals, at the apple commission, are to increase purchase and increase usage. Therefore, promotion programs must target both consumers and the trade industry. Market conditions are examined annually, by quarter, to identify issues that may affect promotion strategies, such as size of marketable crop, quality attributes of the crop, competitive influences, changes in crop size, retail conditions, type of market (consumption, build-share, protect). These issues are very important in determining the

correct allocation of funds across domestic programs. This year, for example, production has increased by 15-20%. This means that short term, focused programs need to be developed to drive product through the market place. Contingency plans are always developed for large and small crop years.

All promotion programs are developed with impact targets in mind for its evaluation. Evaluation takes many forms. Estimated response likelihood targets are determined by econometric analysis, tracking studies and specific experimental design. Experimental design research is used to evaluate responses to specific programs such as heavy up advertising, media mixes, media promotions, and integrative marketing. This type of research is particularly important to undertake in the first several years of any new program. If after evaluation specific targets have not been met, the program is eliminated. Because of budget limitation, the philosophy at the commission is "do it right or don't do it at all".

New ventures are sought but are always examined critically. Questions that are asked of any new venture at the commission include; what are the hidden assumptions, what is the deliverable that is needed for success, what are the alternatives, what will be the market acceptance, how can risk be reduced, what is the definition for failure, how do we know when to walk away, how are finances going to be controlled, what is the credible evaluation ratio, and what are the risks for the organization — for failure, reputation and formidable exit barriers. Finally, general market trends are also considered in the allocation of promotion dollars. Consumer and industry trends include trends in nutrition, childhood education, partnership marketing, and category management. Analysis and awareness of these trends provide important opportunities for developing creative and innovative promotion plans.

Evaluation of specific programs such as advertising and promotion are undertaken a number of ways. Evaluations of advertising uses tracking studies, gallop polls, diary panels, econometrics, and media buy effectiveness analysis. Evaluation of promotion uses major's reports that examine promotions in major markets across the U.S.. These reports provide information on how well promotions are received weighted by the importance of the market and the importance of the retailer. They assist the commission in setting quarterly goals for field staff across the U.S.. If plans are achieved, a bonus to the field staff is provided. The commission also undertakes retail trade surveys and experimental design research on promotions to see how well promotions are working. Finally, although subjective, industry feedback is also used in evaluating promotion programs. To obtain that feedback, advisory committees are established that give industry and the commission an opportunity speak to each other.

*Carolyn McDonell,
Executive Manager of the Beef Information Centre,
Beef Information Centre*

The Beef Information Center (BIC) is the national advertising and promotion division of the Canadian Cattleman's Association with a budget of approximately 5 million dollars. Sixty percent of the budget is spent on advertising and approximately twenty-five percent is spent on promotional programs. Advertising is undertaken mainly through the

television medium and to a smaller degree through print. Promotion programs include retail point of sale, food service, public relations, consumer information, nutrition and health professional programs. Budget is also allocated to new product research.

The marketing objective of the BIC is to enhance the image of beef as a healthful product suitable for today's active lifestyles. This strategy was identified through research. Through annual consumer tracking studies and last year's national consumer segmentation study it was shown that the major reason for declining beef consumption was health concerns with the product. Therefore there is a need to change consumer attitudes. To accomplish, advertising as opposed to promotion programs has been selected. Once consumer attitudes have been changed, sales promotion may become more important. Until then, advertising is thought to be the most effective and efficient means to accomplish this objective. Currently, promotions such as retail point of sale, food service, public relations, and health and consumer education are used to support the messages expressed in advertising campaigns.

Research has shown that 8 in 10 consumers purchase some form of beef on a weekly basis. Therefore the largest promotional program at the BIC is the retail point of sale program. The retail point of sales program provides the consumer with convenient recipes, nutritional information and information on how to cook beef. To extend its effectiveness this program is partnered with sales promotions from national companies. Partnering brings in additional promotion dollars and provides a method of evaluating effectiveness. Through partnering arrangements, coupons and features for complementary beef products increase the effectiveness of beef sales promotion.

Another important promotion has been the sponsorship program. In recent years BIC has been an official supplier to the Olympics. Beginning in 1991, before the 1992 winter and summer Olympic games, the program started to use athletes as spokespersons for beef consumption. Isabelle Brasseur and Lloyd Eisler, the '93 World Champion pairs figure skaters, have been very effective in conveying the message that beef consumption can be part of a healthy and active lifestyle.

A third successful promotional effort has been the development of three million copies of a recipe brochure. Two million were circulated through magazines during the Olympics and one million were circulated at retail counters as part of the point of sale program. The recipe brochure was undertaken in partnership with four large national companies that supplied coupons for inclusion in the brochure. Convenience is important to consumers and recipes distributed at the retail level are an effective way to address that issue. The recipes also offer instruction to consumers on how to cook beef properly as do cooking instructions and recipe stickers that attach directly to the packaging. One particular program involved a recipe contest that was linked with a national talk show that aired on the same national television station carrying the Olympics. For two weeks the talk show host promoted the contest and for four weeks different athletes appearing on the show picked winning recipes. At the end of the contest, the grand prize winner won a trip to the Olympics. This particular promotion combined public relations, retail, national television, and consumer information. The winning recipes are currently being put into a booklet and will be distributed. Requests for these recipes are already being received.

The food service industry is another important target group for BIC promotions. The objective with this target group is to inform and educate individuals about the different

grades of Canadian and imported beef. Unfortunately, the food service industry commonly uses ungraded product. The challenge in the food service industry is to increase the use of quality Canadian product as well as increase the number of beef items on the menu. To accomplish these goals, food service newsletters are used as educational information vehicles. Again, food service promotions have been combined with Olympic promotion themes.

Program evaluation takes many forms. Tracking studies are used to monitor awareness, changes in consumer attitudes, retention and use of different programs. Coupon redemption is monitored by industry partners. In-store evaluations are conducted with retailers. Sales data are examined in the case of restaurants. Although there is a desire to use better methods of evaluating such as actual meat sales through scanning data or consumer purchase diaries, to date, the funds needed for that type of evaluation have not been made available.

Finally, market conditions have a strong impact on the promotion needs of the beef industry. Unlike other agricultural commodities, changes in supply are slow and deliberate. For example, throughout most of the 80's beef supplies were relatively flat. Toward the end of the 80's and early 90's, herd sizes were beginning to rebuild. This temporally reduced the supply of beef in the marketplace as producers held back heifers for breeding purposes. Supplies are now starting to come back, making the need for beef advertising and promotion all the more important.