

THE INVISIBLE ASSET WHICH WILL DETERMINE FUTURE PROFITS

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May I say at the outset that I very much appreciate the opportunity to discuss with you gentlemen this afternoon some thoughts about the future of the avocado industry — something about the problems and the opportunities that lie ahead.

However, before dealing with the future I would like to say a few words about the recent past. Your marketing order is quite new. From what I have been able to learn, it resulted principally from careful study and reflection on your part after the very large crop year of 1959 . . . and the order became effective in December 1961.

Having observed over the years a good many agricultural marketing efforts, I would just like to say—and I mean this perfectly objectively—that it seems to me that you have really accomplished a great deal during the comparatively brief time that the avocado marketing order has been in effect. I refer especially to the aggressive merchandising and advertising steps which you carried out last year in the East, to the fine publicity effort you have already mounted, to the intensive marketing planning you have undertaken, and last but not least to the national advertising campaign you now have under way with which we have the privilege of being associated.

I know that you have not accomplished up to now as much as you would like to have accomplished. But no successful organization ever feels any other way about itself.

From all that I have heard about you gentlemen, and of course I have had the pleasure of meeting several of you before this, I am convinced that you are realists. The task you have set for yourselves, by the adoption of your marketing order, is a very large one. California avocados represent approximately one-fortieth of one per cent of the cash farm income in this country. This is based on putting the present year's crop somewhere between 9½ and 10 million dollars. Now, you have set aside five per cent of the total value of your crop for carrying out the aims of the marketing order for advertising, publicity, promotion, research and administration. And how tremendous is your competition for the attention of the food buyers of America. I mean the retail food buyers, the consumers.

Let's take advertising alone. The nation's total advertising bill has now crept up to where it is very close to 13 billion dollars a year. More than 3 billion dollars of that amount are being spent by the producers, processors, and purveyors of food products—by those who produce the food, by those who process and package it, and by those who sell it at retail. Three billion dollars can make a lot of noise and attract a lot of attention. It can

produce a great clatter—a confusing clatter perhaps—on television and radio—and it can produce, literally, millions of acres of newspaper and magazine advertisements. Amid all this proliferation of electronic and printed advertising, what chance does your promotion budget have—as generous, courageous and far-sighted as it may be from the standpoint of your own industry?

In my opinion it has an excellent chance indeed provided you—and those of us who work for you—administer it wisely. And it has this chance for a rather unusual reason: That is the unique, exceptional, and unduplicatable features of your product itself—the avocado! An avocado is really something! It is not just one other thing to be sold to the American consumer.

To try to make this point a bit clearer—if someone were trying to launch a new cake mix or a new brand of coffee or a new soft drink or even to advertise one which had a small but established market, for a promotion budget of approximately \$400,000, any conscientious marketing communications agency would have to advise the would-be marketer to keep his money. Because the noise level of all the competing advertising claims in today's market place is such that no run-of-the-mill product can get anywhere—except with a very large budget.

But there is nothing else like an avocado. And this fact itself is one of your greatest assets—one which you may perhaps be inclined to overlook because of your closeness to the situation.

However, I wish to repeat: It is my considered opinion that the budget which you have set aside for the promotion of California avocados can accomplish a worthwhile result for you—if properly handled—because of the exceptional qualities inherent in the avocado itself.

Now what should you do to be as certain as you can of getting maximum performance from your promotion dollars? Well, I think you have already taken a good many steps in the right direction. For instance, you were very careful about the selecting of your advertising agency, considering some sixty agencies as I learned from reading Mr. Pinkerton's year-end report of last year. This is about as careful as you can get and I do hope you feel that your deliberations led you in the right direction! You have also had conducted for you a most comprehensive motivational survey, worthy of a much larger and more long established marketer, and you have what we firmly believe to be a sound advertising program now in being.

It seems to me at this stage that one of the most important determinations you need to make is to decide on the soundest course of action available to you and then to stay on that course regardless of very powerful temporary inducements to leave it which might develop. This has to do with your use of funds for advertising and your use of funds for special promotions. The history of agricultural marketing efforts is replete with examples of the diversion of funds from advertising to promotion, to accomplish short-range goals, which had harmful long-range effects.

Perhaps I can get at the point I am trying to make another way. Like any non-supported agricultural product, the yield, the profit which you receive each year depends very largely on the workings of the law of supply and demand. Crop variations having proved

themselves somewhat beyond anyone's control, demand therefore becomes the key factor. Now what is demand? Did you ever see it? Well, you have seen customers come in, pick up fruit, pay for it and walk out — but that is a result of the demand itself. Demand really exists in human thought and that is something one cannot see. Thought is invisible and since the only kind of thought we are particularly interested in is human thought, it exists somewhere inside the human head.

Which brings me around to the title of this talk: The **Invisible Asset Which Will Determine Future Profits**. This is the demand for avocados —based on what people think about avocados or don't think about avocados. Your most important asset, gentlemen—and this is true of every national marketer—reposes somewhere inside the heads of 54 million American housewives.

It is their collective thought, their collective attitudes about products and brands which make or break every marketer alive.

Now while we can't see their thoughts, which direct their demand— for this or that product—we do happily have ways of influencing the thoughts of Mrs. Housewife— which deserve our sustained concentration.

Rather obviously, there is both the long-range and the short-range job to be done. On the long-range side, we need to implant favorable thoughts about avocados in the minds of as many millions of these ladies as we can possibly reach. This takes advertising—advertising in mass media. We also need to be as effective as we can be—in influencing the buyer's thinking—when she comes into the retail outlet. But a woman's thoughts—or a man's thoughts for that matter — are seldom changed all of a sudden. Which is one way of saying the most effective point-of-purchase display— or even demonstration—won't do much good and can't do much good if the prospective purchaser has little interest in the item displayed or demonstrated. In other words, inescapably, there is a very major job of thought implantation that must be carried on before the purchaser ever gets to the store. This is the function of advertising and publicity in mass media.

You gentlemen who compose the California Avocado Advisory Board, together with those you have designated to work with you and for you, are the architects of the future of the California Avocado industry. What you do this year and next year will have a very important bearing on where this industry goes in the future. You have many important problems to deal with, I know that. Advertising and promotion obviously represent only one area, but I urge upon you the importance of a sustained effort to influence consumer thought about avocados, because that is how consumer demand will be increased. The extent of consumer demand will be the major determinant of profitable or unprofitable operations—and the only way to change consumer demand is To affect the thought processes that go on inside consumer's heads!

To make a major change in the thinking of customers and potential customers takes time. Of course, I am aware that there has been significant advertising of California avocados in the past—of one brand, though an important one. But this has been generally on the basis of a quite restricted appropriation; and in many ways—and certainly for many areas of the country—it is fair to say that aggressive advertising, promotion and merchandising of avocados represents something of a virgin field.

The two agricultural marketing efforts with which, over the years, I have been most personally familiar have to do with oranges and walnuts. The first of these, oranges, occurred during a period which I refer to as my first incarnation in the advertising business—with another agency! The second—having to do with walnuts—represents an experience of McCann-Erickson, Inc. Neither of these examples is quite comparable to your own because they were not industry-wide activities. They were, rather, cooperatives—but they grew to where they became extremely important segments of their entire industries.

The thing that has impressed me most over the years about the advertising activity supporting Sunkist Oranges and Diamond Walnuts has been the extreme, almost undeviating consistency of these efforts. Sunkist advertising began in 1907 with an expenditure of \$6,000 and has long since expanded into a multi-million dollar advertising activity. The California Walnut Growers Association began advertising in 1918 and has been at it ever since. Parenthetically, you might be interested in one feature of the walnut operation. Unlike avocados, walnuts offered an interesting problem in branding. The name Diamond was adopted when advertising first started, but there was no way at first to brand the individual walnuts. The brand name was featured in the advertising, however, and buyers were urged to look for the trademark on the walnut bag. The advantage of carefully graded walnuts was also stressed. Later the walnuts were packed in cartons that carried the brand name. Then the Association offered a prize of ten thousand dollars to the person who would devise a method of branding the individual nuts. As a result, a machine was perfected, and in 1926 the Association installed 132 of these machines which stamped the word "Diamond" on each walnut at a cost of one cent for twenty pounds. As a result of advertising, the production and consumption of walnuts have been greatly increased, the prices received by growers have been raised, and distribution costs have been reduced.

The decades-long advertising and promotion effort behind Diamond Walnuts has transformed walnut marketing from an exclusively holiday-time operation to a year-round business. No one can say how much greater the value of the walnut crop is today than it would have been had there been no sustained advertising effort. But those concerned with this agricultural endeavor feel that the amounts invested in advertising and promotion have proved to be very sound investments indeed.

And oranges of course have been the run-away success in the fruit field —accounting for almost a fifth of all fruit sales at retail, not to mention the burgeoning volume of frozen orange juice.

Another outstanding successful example in agricultural marketing is that furnished by Ocean Spray Cranberries, Inc.

Cranberries are an unusual fruit with a unique taste. Generally, cranberries have been used only at Thanksgiving and Christmas and by a somewhat limited group. By working together, the cranberry growers have been able to make significant progress in expanding the market for cranberries and in overcoming the tremendous seasonality of the sale of this product. The cranberry people had been at it a long time too—since the American Cranberry Exchange began advertising cranberries in 1916.

I am not overlooking the fact that the California Avocado Growers Exchange was

formed in 1924, but it still remains a fact that avocados have not been promoted consistently and on a large scale over the years.

There is no doubt, however, that Calavo advertising helped expand people's acquaintance with the avocado—within the limits of the budget available—and added to the prestigious aura surrounding the avocado.

The history of agricultural marketing, however, contains more failures than successes, it is our opinion that these failures were primarily due to lack of continuity in advertising in mass media. The groups that failed or had difficulty did not recognize that their greatest assets were not represented by their land, their groves or fields, or their equipment—but by that elusive and invisible factor called consumer demand.

I am not mentioning any of the failures in 'agricultural marketing—by name—in this talk; because no one likes to be called a failure publicly. However, I will be glad to discuss these unhappier examples with any of you, privately, if you wish; and may I interject that none of them were our clients!

There have been instances of marketers in many fields, who have tried to maintain consumer demand at satisfactory levels by relying more and more on point-of-purchase advertising and special promotions and less and less on advertising in mass media. This is frequently based on the falsely held belief that consumer demand is something that can be turned on or off rather instantly—such as when a woman walks into a store. Unless, however, as I have indicated, there has already been a degree of receptivity implanted in the would-be customer's mind, it is rather hard for point-of-purchase activity, even a demonstration, to prove resultful on a lasting basis.

My last comment on this particular phase of your operations is to express the belief that full consideration of the facts will lead you to the right proportion of mass media and point-of-sale activity.

Looking toward the future, it seems to me that there is no reason why there may not be or why there cannot be an increase in the amount of California avocados consumed by the U.S. population—beyond any goals heretofore set. I say this simply because consistent marketing pressure nationally, and at a really strong level, has never yet been applied for California avocados. You are just getting under way now with the most aggressive promotion avocados have ever had, and while perhaps this is all you should afford at this time it is not an earth-shaking amount.

Now I am not standing up here advocating larger budgets; I just say that as progress is made in expanding the markets for avocados it is **probable**, in my opinion, that a **potential** will ultimately be indicated which is beyond anything currently considered. And of course this need not always remain in the area of dreams or wishful thinking. Within the framework of the existing marketing order, that is, within the scope of the funds it provides, it might be possible to conduct test campaigns in certain restricted marketing areas which would give an indication of what **investment spending** could produce. The ultimate problem is simply to find what level of expenditure will contribute most to the profits of those who grow avocados. This is not easy to do, but it can be done.

Further, whether more aggressive marketing steps in individual areas are ever

undertaken or not, I should like to reiterate a belief that consistent application of funds available within the present marketing order— not neglecting mass media—will produce in time an expansion of market which may surprise us all.

Now having said all this, I should probably issue a disclaimer: I certainly don't want you to think that I think that advertising or promotion of publicity or any combination thereof can in and of themselves provide a smooth road for the future of the avocado industry. These demand-building activities can never be a panacea. You must know that we know there are many problems and complications in the successful marketing, at an expanded volume of this state's output of avocados. From the standpoint of the number of growers, you have a large industry; and the problem of orderly marketing—if attainable or even desirable in a free association—is not an easy problem to solve.

But as I said at the outset of this talk, we in your agency are impressed by the progress you have already made under your relatively new marketing order.

If I may I would like to say a word about the publicity job being performed for you by California Foods Research Institute under the direction of Keith Thomas. We are very much impressed by what they have accomplished for you—and I say this even though we are in the publicity business ourselves through an affiliated company.

The publicity you are getting nationally for California avocados is promotion in mass media, and I think it will prove very important in your total marketing expansion efforts.

Also, I am very much interested in the medical research study which you now have under way. We are hopeful, as you are, that this study will provide some powerful ammunition. Since avocados are now on a good many "must not eat" diets it would seem almost certain that this study will improve our position to an important degree. We feel very strongly that the avocado is a much misunderstood item of diet, and we hope that your medical research study will provide the means to get this cleared up.

Because I have said so much in this talk about consumer demand, I don't want you to think that I or my associates are oblivious to the necessity of good trade relations or more specifically of the necessity of merchandising your marketing activities at the retail level. From what I know of your operations, it seems to me that you are making good progress at the trade level. However, I do not need to tell you gentlemen that nothing is as impressive to any segment of the trade as a heightened intensity of consumer demand. And consumer demand is so often dealt with inadequately in the marketing of agricultural products.

Thirty-one years ago a former research director of McCann-Erickson— the late Dr. L.D.H. Weld—co-authored a book entitled "Marketing Agricultural Products in the United States." His co-author was the late Dr. Fred E. Clark, professor of marketing at Northwestern. On Page 516 of this work these gentlemen began a chapter with this short statement: "The importance of demand creation to agriculture is not always recognized."

That statement is as true today as it was when written thirty-one years ago.

In your case, by the adoption of your marketing order in 1961 and by the aggressive steps you have taken since then, you have shown that you are very much aware of the importance of demand creation.

But I will go a bit beyond that. I will call your attention to the root of consumer demand, which consists of the thoughts about avocados contained inside the heads of your customers and prospective customers.

Those thoughts, like all thoughts, are invisible. But they can be changed, in your favor, by persistent cultivation.

You have started to do this well, I believe. But I am sure you realize, it is not a short-term effort. The job is never done. Maintaining a share of the busy housewife's mind is an everlasting project and you must keep everlastingly at it.

I think this is a particularly important point to keep in mind as you make plans for the next crop year.

By all the estimates and forecasts I've seen, you will have 50% more fruit to sell from next year's crop — the second largest in two decades.

Will this mean 50% more marketing and advertising problems? More likely, the problems will sometimes appear, in the coming months, to be 100% or 200% greater than before.

The reason I say this is, that I have seen it happen before:—to advertisers with budgets many times like yours. For the sad fact is—that if you have unlimited funds all marketing problems are easily solved. But nobody —not even General Motors—has enough money to do all the things that seem useful and needed.

And so you are going to have to choose which of several strategies you put your money on, for if you put it on all of them, you will surely fail to accomplish any of them well.

Since it seems inevitable that you must make this choice, I suggest to you that the time to make it is in advance, before the problem arises, when you can make it with due consideration and not in the heat of urgency.

And I suggest further to you, that the long-range and the short-range objectives you set for yourselves stay in proper focus when you can view them from the vantage point of the future all in wide screen—rather than singly through a microscope.

I suggest that while you should keep your plans flexible, that you keep your **concepts** inviolate.

Concept number one is that consumer demand comes from inside a consumer's head. You must put it there, with consistent advertising to the consumer. I suggest, therefore, that you divide the funds available to you into two parts—the first of which is to do this job and keep doing it. For demand creation is the foundation of higher, more stable prices, and this is why you gentlemen are providing these funds through your marketing order.

Concept number two is that once this demand exists, merchandising and promotion can stimulate it into action. In a bumper crop year, you will surely want to plan for this. I suggest that you will want to set up in advance a promotion calendar, showing approximately the times and durations and locations and costs of these special efforts. This you will probably change to meet each situation as it arises—but the point is, that you will be prepared with plans of action to meet these contingencies. And the even

more important point, and the theme of my message to you today, is that you will be doing this without affecting the funds you have allocated to creating demand. And that, I submit, is your primary objective, the first job of your advertising, and the reason why, you and we, are here today.

Thank you.