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GENERIC PROMOTION OF SOUTH AFRICAN AVOCADOS INTO THE UNITED KINGDOM

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Introduction to SAAGA

By way of introduction The South African Avocado Growers Association (SAAGA) is a voluntary association. It was not promulgated by way of Act of Parliament as has been the case with many other agricultural sectors within South Africa and which manifest themselves as statutory control boards of one kind or another. In most instances these boards have committed themselves to single channel marketing and distribution, and they have very largely controlled not only the exports of the products that they represent but also local markets as well. This is not the case within the South African avocado industry. Formed some 30 years ago SAAGA is independent of government involvement and abides by a system of voluntary co-operation amongst its 640 members who produce in excess of 95% of South Africa's avocado crop. Our avocados are distributed overseas by a number of exporters under various brand names, none of which have achieved any real market dominance in U.K. and Europe in relative terms to say "Outspan" or "Capespan".

Included in SAAGA's aims and objectives is one that requires it "to increase the demand for avocados by advertising, promoting and by such other means as the association sees fit." Needless to say our members don't want us to spend too much money on this whilst everything is going along smoothly, i.e. as long as all that one grows is being sold at increasing prices every year! Utopia!! The reality however for South Africa over the past 20 years in respect of its traditional markets in U.K. and Europe is that there has been a steadily declining real price so that in 1994 the real Rand price per ton was exactly half of what it was in 1978 while exports had tripled. 1994 saw South African exports at 37200 tons and whilst exports have not reached those figures since then, initially because of drought and then an overabundance of rain, plantings indicate that exports can reach 72000 tons by the year 2000.

The von Bach report

Against this background of dropping prices and increasing production it is not surprising that there was strong support from SAAGA members for research into U.K. and E.U. markets. In 1993 Dr. H.J. Sartorius von Bach from the Dept of Agricultural Economics of the University of Pretoria completed his thesis on "The Avocado Market in European

Countries" which was partially sponsored by SAAGA. The overall objective of the study was to provide information to assist SAAGA to develop a marketing strategy, how to improve our good reputation in the market and how to improve our market share of the E.U. avocado market. The study is pretty far embracing but amongst its conclusions the following may be of interest to you.

Conclusion and implication for the South African avocado industry

1. The consumption of avocados is mostly influenced by economic growth, cultural factors, and nutritional knowledge but a major growth opportunity lies with a wider population rather than with minority groups. Lack of knowledge about avocados is seen as a major obstacle for furthering increased sales. Consumer education is seen as an integral part of any promotional campaign.
2. The EU market offers lucrative opportunities for significant expansion of exotic fruit from South Africa. The overall real term growth of the EU avocado market is in excess of 5% p.a.
3. The relationship between importer and exporter is the key to successfully developing the avocado market in the EU, particularly regarding the supply to supermarkets and chains. The continuing trend towards the sale of exotic fruits through large supermarkets and chains requires an ability to supply on a continuous and reliable basis large batches of uniform product. Some differences between the supermarkets in the various EU countries was noted regarding selection criteria in commodity purchasing. France, Belgium and Italy all place "price" as the prime criteria whilst U.K. and Germany place "choice" ahead of "price". Von Bach thought avocados were less price elastic in U.K. than in other EU markets.
4. Maintaining a high standard of fruit was vital not only in regard to its eatability but also in respect of sizing, uniformity and appearance. Consumers emphasized quality above price as a determinant of their purchase of any fresh fruit.
5. While attractive and functional packaging is of vital importance to fragile exotic fruit the ability to get fruit to the EU in a saleable state is crucial. Thus temperature control of exported product will increasingly require greater attention. Co-ordination between exporter and importer cannot be over emphasized in maintaining the cold chain from packer to the market place.
6. There is a very real need for promotion to stimulate demand ahead of supply otherwise prices may fall to levels that make it uneconomic for South Africa to export to the EU.
7. Spain with its increased production is seen as a threat to South Africa particularly with its positioning so close to South Africa's traditional markets of France and U.K.
8. France and the U.K. are by far the leading importers of avocados accounting for 70% of total imports. Von Bach attributes the success of avocados in France to generic advertising and sales promotion of the Israeli export marketing board

"AGREXCO" during the 70's. He further attributes the fact that "Carmel" is the only brand readily recognisable in France to Israel's advertising campaign. Germany however with its large population and high real income is the country of major opportunity.

9. Preference for the various varieties varies from country to country with Germany and the Benelux countries drawn towards the greenskin varieties, France towards Hass, whilst U.K. is accepting of Hass after predominantly preferring Fuerte for many years.

The formation of a promotions sub committee

Following on von Bach's report a sub-committee was formed representative of SAAGA's members to make a recommendation to its Board of Directors and ultimately its grower members for a path of action regarding the role of promotions in the future. The committee consulted with Prof. von Bach, Prof. Leyland Pitt from Henley Management College, and its London's Importer Committee.

The commitment from SAAGA

Following a recommendation from SAAGA's board and after considerable debate the members agreed to the following action after a special motion at the organization's A.G.M.

SAAGA agreed that there was a need to increase the consumption of avocados throughout Europe. However it believed that funds would restrict any promotion/advertising campaign to one country or part thereof, and research indicated that the greatest potential for increased consumption lay in the U.K. and Germany. Between these two countries SAAGA decided to direct its efforts to the U.K. for the following reasons:

- (i) The language and culture was similar in many respects to South Africa
- (ii) Note had been taken of the comments of von Bach, the London Importer's Committee, and Prof. Pitt
- (iii) The small per capita consumption in U.K.
- (iv) The history of importer communication and co-operation in the U.K.
- (v) The concentration and development of multiples in the U.K. made in store promotions more effective, particularly in the area of "ready to eat"

SAAGA required that a professional marketing consultant based in U.K. be appointed to advise it on the best way to broaden its consumer base and lift consumption in the U.K. and that this person or organization would then be required to conduct the research necessary to motivate how the above can be achieved and monitor the cost of any such promotional campaign. To this end it voted a special levy of 5 cents per export carton which amounted to R390000.

The appointment of a marketing consultant

Six firms in the U.K. made a bid for the appointment and of these four were asked to make presentations. From these presentations one was chosen. I think it is important to note that the appointment involved not only the growers and the executive personnel of SAAGA but we ensured that the exporters from South Africa and the U.K. importers were involved in the choice. In addition we traveled to Paris to explain to the French importers what we were doing and why we had chosen to go the route of U.K. rather than France.

The firm chosen, KAE Development is a marketing consultancy, specialising in the identification and evaluation of business opportunities and the development of programmes for exploiting them. I need to stress that we purposely stayed away from choosing any organization that had as part of its business a public relations arm. We didn't want someone spending our money on promotions prior to evaluating what exactly had to be done! KAE we evaluated have experience in the food industry and fit this bill. The references they gave us and some they didn't also spoke highly of their capability, and satisfaction with their services.

Having appointed KAE they spent a week in South Africa getting to know our industry and talking to the various role players in our industry prior to them starting their research. We emphasised to them that they had to come to their own independent evaluation of our industry. In my view the period that KAE spent with us in South Africa was invaluable and helped them to understand not only the product that they were involved with but also let them gauge the priorities of the SAAGA members. This went a long way to help them to communicate with the growers when they came to make their presentation to SAAGA at our marketing symposium in November 1995

Report back by KAE to South African Growers (Marketing Symposium Nov 1995)

The report back from KAE on their research identified the following:

Consumer research

1. Only 37% of adults in the U.K. ever eat avocados
2. Age profile of those that eat avocados is broadly based
3. Consumption is clearly Up-Market
4. Consumption is highest in the southern part of the country
5. Brand awareness is low
6. Most regular avocado users have a limited repertoire
7. Ease of preparation is the key issue in the working week
8. Ignorance is the main reason for non-use
9. Fresh fruit branding is of no consequence if the store is trusted and the fruit is good
10. Quality and reputation of the supermarket totally outweighs issues of variety and

country of origin

11. Avocados are an easily accessible specialty
12. Avocados are not price sensitive
13. Certainty of quality is more important than "Ready -to-eat"
14. Health benefits arouse great interest, but calorie content is a problem
15. Negative aspects of South Africa have gone. Positive aspects have not yet transferred to fruit
16. Interest in avocados is transformed by new ideas for preparation and serving.

Trade research

1. Shares by sector show the multiples have increased their share of avocado sales from 65% to 78% in volume and from 67% to 80% in value from 1993 to 1995. **Two of these, Tesco and Sainsburys represent in excess of 60% of multiple sales**
2. Avocados are a small, high margin component within an important category
3. Multiples set tight quality specifications but ripeness and consistency cause concern
4. S.Africa tries hard, but importers and retailers have experienced quality / supply problems
5. Quality has a direct impact on wastage and on the ultimate price achieved
6. Multiples agree on the need for consumer education and are keen to collaborate
7. Multiples are excited about avocados. They see it as a potential Kiwifruit
8. Changing lifestyle of U.K. consumers: Greater interest in food and health plus more disposable income

The U.K. market opportunity

U.K. population: 57 million

Current avocado consumption: 2.3 per head per year

Given the results of their research and taking into consideration the U.K. market opportunity -KAE considered that a challenging but realistic objective for SAAGA would be to

DOUBLE CONSUMPTION IN FOUR YEARS (1996-2000) Generic promotional campaign

To achieve this KAE recommended that SAAGA embark on a generic promotional campaign that would focus on the three main issues:

- Education of consumers re avocado usage and qualities
- Position avocados as summer as well as winter fruit
- Stimulate trade interest

With the above as the recommended route KAE came forward with proposals from two public relations/ marketing and advertising companies. Of these two SAAGA opted to go with the proposal from Richmond Towers. Their proposal recommended a five year programme starting with the spend of £540,500 in year one reducing to £100,000 in year five. At an exchange rate of Rand 5.65 to the £ the initial spend amounted to R3054000. After some debate a provisional figure for 1996 of £448,000 was agreed on. At that time a conservative estimate for the export crop for the 1996 season was put at 36000 tons (9 million cartons) for the 1996 season and the growers agreed to fund this promotion with a special promotion levy of 30 cents (S. African) per export carton. A debate regarding this levy was lively to say the least but it is interesting to note that the support for the campaign was over 95% of the growers present. In excess of 20% of the growers that constitute 80% of production were present.

Funds for the promotion were roughly spread as follows:

	Original	Actual
Trade Press	£20000	£20000
Wholesaler stock and display	£17000	£15000
Master Press Kit + Press event	£20000	£20000
Press Briefings + 2 journalist visits to S.A.	£11000	£11000
Local Radio	£ 7000	NIL
Regional Releases	£10000	£ 5000
Food Celebrity Endorsement (2)	£14000	£14000
Promotional Material	£35000	£30000
Multiple Programme	£189000	£125000
Richmond Towers Fee	£84000	£84000
KAE Fee (Research & Expenses)	£16000	£16000
KAE Fee (Monitoring of Programme)	£25000	£25000
TOTAL	£448000	£365000

You will notice an "original" expenditure and an "actual" expenditure. Such ever are the plans of mice and men!! No one at that time had any idea as to what was going to happen to the exchange rate with the £!! By the time we had managed to take out forward cover for the promotion in March '96 the rate had gone to R6.00 to the £ and the cover we had, varied from R6.06 in April to R6.34 in October. Thank goodness for forward cover as the actual rate went to R7.00 to the £ before October. Then came the rain! After 7 years of below average rainfall the rain came down in the avocado growing areas at levels not seen for 50 years or more. Rain with the accompanying wind and hail ravaged many of the orchards and the promising crop dropped to 7 million cartons

of exportable fruit. Worst of all the standard of the fruit also suffered and the multiples in U.K. who are very strict about maintaining their standards returned avocados at an alarming rate.

We really didn't have the fruit to support the campaign in U.K. and continue to support clients in the E.U. as well. There were many thoughts of aborting the promotion but with the advice of KAE and following discussion with the multiples we decided to stick with the promotion. In hindsight this was a good decision which has brought returns to us in 1997 and, we think our future involvement in the U.K. More than anything else it has confirmed to our customers in the U.K. that we are serious about our product and our intention about helping them make their market grow.

An interesting plus from the trade press was an almost disbelieving view that growers voluntarily had sponsored this promotion. It was seen in a very positive light and we had good press in this regard. Richmond Towers gauged that if SAAGA had to pay for the press coverage that avocados received in 1996 the bill would be a little over £750000. A logo was developed with the theme "Summer Avocados Straight from the South African Sun" and the point of sale promotional material was used extensively during the campaign. In addition to press coverage we had exposure on radio and BBC *Good Food Magazine* made a feature of avocados. The five multiples that participated in the campaign (Tesco, Sainsbury, Asda Safeway, and Waitrose) all reported increased sales during the in store promotions, most of them at levels of +40% above normal levels during the campaign period but continuing at +25% for the remainder of the summer season. Tesco stated that their level of sales of avocados for the year were 14% up on 1995. The in store promotions not only took the form of tastings and special offers sometimes combined with other South African produce (e.g. wine) but also including new recipes and educational information stressing the health aspects of avocados. At this point I stress that no price support was offered by SAAGA as part of its campaign. Some of the importers chose to add their branded promotions to the generic one conducted by SAAGA but there was very little if any "price specials" offered as part of the promotions. Price levels for product which was of the multiples' required standards were at good levels.

The main focus of the campaign during year one was to increase the consumption of avocado eaters rather than increase new consumers. In this regard 3% of all avocado consumers increased their consumption by 50% or more, and 8% of avocado consumers increased their consumption between 25% and 49%. Although no change was registered between the percentage of non eaters of avocados and those who had consumed avocados the campaign achieved its initial objective of increasing consumption. Had we the product to support the campaign there is no doubt in our view that we could have increased our sales by up to 50 % over that which we achieved. There are those who question the advisability of starting a campaign at a time when product will be in short supply, but it was SAAGA's view that the production is there and that we were well advised to prepare the market ahead of its arrival. In addition we have seen our traditional window into Europe from April to September eroded by Israel, Spain, and Kenya during April, May and June as well as seeing the arrival of Mexico into Europe during August. Statistics provided by KAE have highlighted this aspect. South Africa has to fight to maintain and increase its market share of the total U.K.

market and it is with this in mind that we will also move into Europe in 1998.

1997 the future and some conclusions

The 1997 campaign re-enforced the successes of 1996 but increased the healthy avocado aspects in addition to the message contained in the "Summer Avocados Straight from the South African Sun" to take advantage of the health motivated consumer. A lot of the ground work done with the food editors of U.K.'s national press has seen increased coverage and support. Again the crop for 1997 was not large but the spending of £210,000 continued to keep South African avocados in the consumer's eye. The multiples continued to be supportive of the campaign and we have built trade loyalty which we believe will stand us in good stead in the long term. It is my view that generic promotional support is now a fixture in our organization. The campaigns in France, Germany, and the rest of the E.U. as they evolve will differ, but if we are to grow the market and at least retain our share of it we will have to continue along the path of generic promotion for the foreseeable future.

Having been at it so to speak for two years doesn't exactly make us experts but we have come to some conclusions. These very briefly are:

1. When you are seeking to encourage trial in a market in which the bulk of the populations are unfamiliar with your product, it is vital to devote resources to consumer education.
2. Health and diet messages in the media, supported by recipe suggestions and tasting are an essential part of the education process.
3. It is important to understand, in advance, the financial and strategic significance of your product to the trade. If this is high, they will support your marketing effort enthusiastically.
4. Even though you hit production difficulties you must maintain your marketing effort. This shows the trade that you keep your word. They have long memories for suppliers who have let them down!
5. PR can be a vastly more cost effective means of reaching consumers than advertising, provided that you leave sufficient time for it to take effect.
6. Even though it may be a bit expensive to do so, it is a good idea to separate the planning and auditing ructions of your marketing programme from the implementation, if you cannot keep a local presence in the market yourselves.
7. Credibility, Quality, and Reliability always creates the perceived differential ahead of Price in the eyes of the consumer, and if there is only one point of this paper that you take to heart it is this one, and is encapsulated in a quote that I use often:

"WHAT I SAY I WILL DO. I DO. I DO IT TO SPECIFICATION TODAY TOMORROW AND FOR EVER MORE."

Perform like that during your campaign and you have a winner!!