

## CALIFORNIA AVOCADOS: COMPETING, AND WINNING, THE WHITE-HOT MARKETING GAME

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### BACKGROUND

6000 growers have made a \$1 billion investment in the California avocado industry. It's not a club. It's not a hobby. It's a huge investment that must generate a return and make money. The days of agriculture being immune or insulated from the larger economic context are gone. We can't just grow a crop and assume, as if it's a right, that the market will buy it...and buy it at a price which includes a profit after we add up all of our costs. It simply doesn't work that way.

To generate a return on that \$1 billion investment, the California avocado industry must:

- Develop customers in the marketplace with DEMAND at a value relative to their investment basis
- Optimize production, maximize efficiency and minimize costs
- Have their handler sell optimally relative to market dynamics
- Be prepared for, and able to respond early to issues, trends and opportunities that emerge and threaten their investment
- Interact with a central, official information source and dissemination system to stay informed and connected

The California avocado industry's response to those needs is the California Avocado Commission (CAC). The California avocado industry's \$1 Billion investment requires capability in and successful execution of marketing and issues management functions. CAC was established for that purpose. Here is CAC's **MISSION STATEMENT**:

"To aid in maximizing grower returns by conducting advertising, promotion and public relations for California avocados and engage in related industry activities that together help create a more profitable market environment"

In our industry, like yours I'm sure, it is impossible to reach a consensus on goals and a Strategic Platform with so many grower stakeholders. The impact of this significant polarization is compounded as the industry moves into a period where there's a large gap between growers edging ever closer to the "survival margin," and those individuals on the other pole. Perhaps your industry has the same dynamic at work.

In response to that polarization and the need to represent the entire industry over individual growers, CAC has adopted the GOAL TRIAD outlined below.

## VISION

- Response...Today & Tomorrow

## VALUE

- To the GROWER
- To the CONSUMER
- To the PROGRAM

## VIABILITY

- Industry Competitiveness
- Big victories on big issues

When it comes to Strategy, CAC has embraced a singular focus on achieving GROWER VALUE, with flexibility to change course over time as necessary. CAC has always viewed it as IMPERATIVE to have a Strategic Frame and Action Plan in place, and then adjust as forces and conditions dictate. Part of this strategic orientation is maintaining a "Creativity Culture" that leverages the industry's collective strength and innovation to maximize grower returns.

Making the Strategy relevant and not an abstract exercise run without "real world" grounding is accomplished through CAC's "Anticipatory Duality," managing the today with an eye on tomorrow and using tomorrow as a filter/context for the immediate decisions. An important ingredient to success in this endeavor is bringing growers into the process to build interconnection and trust in a two-way, collaborative process with the industry's stakeholders. After all, the grower is our sole reason for existence and everything we do MUST pass through the "grower best interest filter." Growers know when this is genuine. Do you feel it as a grower in your industry?

## THE U.S. AVOCADO CONSUMER

Bringing strategy into the marketplace is a critical part of our industry's success. We spend a considerable amount of time and money to know everything possible about our consumers. And then we try to learn more. And then we update that information over time. And then we do it all over again. I strongly believe that the California avocado industry's incredible success is largely a result of this intimate relationship with the consumer coupled with, of course, an aggressive strategic response with a steady, year in – year out Marketing Campaign. Here's a quick look at our all-important consumer:

## PROFILE

- Women 25-54 years of age
- \$50,000+ income
- Upscale, college, full/part time work
- Health conscious
- See themselves as open-minded, adventurous with cuisine
- Avocados make any dish or meal special
- Don't want to waste any of the avocado

## CONSUMPTION

- Per Capita Avocado Consumption **2.4**

## PURCHASE (Why consumers purchase avocados)

- Taste: **81%** Healthfulness: **65%**

## BARRIERS

- Only about 1 in 4 consumers view price as a barrier to purchase

## AVOCADO USAGE (Ways Used Avocados Most Often)

- Guacamole **91%**
- Mexican Side **80%**
- In a Salad **75%**
- Eaten Plain **74%**
- Sandwich/Burger **71%**
- Non-Mexican Entrée **53%**

## A GAZE INTO THE FUTURE

Looking to the future for California avocado growers, we see aggregate avocado volume approaching nearly 1 BILLION pounds in the next few years as Mexico, Chile, New Zealand and the Dominican Republic ramp up imports into the lucrative U.S. market. Obviously that puts enormous strain on the supply/demand balance and requires a concomitant marketing response with INCREMENTAL DOLLARS to the base, California Program.

To that critical end, efforts to form the Hass Avocado Board (HAB) were started in 2000. The original Mission and Raisen Detre for HAB was to put in place a method to assess ALL Hass avocados sold in the U.S. to generate the incremental marketing funds to support the projected increase in aggregate avocado volume.

## **HAB's VISION PLATFORM FOLLOWS**

- Preserve Value In The U.S. Market As Aggregate Volume Increase
- Unify Strategy Promote Marketplace Cohesion
- Generate Real-Time Market Reports/Coordination Feedback
- Calibrate Promotional Tactics Spanning 12-Month Calendar, All Regions, and All Suppliers
- Identify Markets and Programs To Maximize Success And Minimize Turbulence
- Communicate All Programs To All Sellers

Predictably, there was trouble everywhere during those nascent, formative steps of the HAB LAUNCH—all of it expected as the “normal course.” We forged ahead dealing with each issue one by one and moving the project closer and closer to completion and HAB became OPERATIONAL in April 2003. The California Brand Program (CAC)—with its 85% Refund from HAB—was planned to continue at “nearly the same level” as pre-HAB to milk the cash cow and preserve the Price Value Platform (PVP) for California AND all sellers in the U.S. deal. Chile and Mexico have also exercised their right to the 85% refund and they, too, are investing millions of dollars in marketing programs to build demand.

As you may know, USDA has proposed to expand the Mexican Avocado Import Program to 12 months and 50 states sometime in 2004. This will obviously accelerate the Aggregate Avocado Volume increase and our ability to keep the cash cow alive and producing in the core markets that contribute most to the PVP. This causes even more strain on resources and demand an ever sharper focus on the MARKETPLACE where the game is won or lost.

We must make sure revenue is generated for marketing spending in the marketplace to generate VALUE. We must protect the cash cow and create a “Consumer Demand Footprint” for ALL SUPPLIERS and protect the PVP. We must focus on the Market and what needs to be done to protect the cash cow and PVP.

To accomplish that giant goal, we'll work hard at driving ALL available marketing dollars toward the demand building programs like advertising, merchandising, foodservice, public relations and nutrition. CAC will continue to build value in the marketplace by building the California brand; HAB programs will promote Hass Avocados.

## **MARKETING PROGRAMS**

### **CONSUMER ADVERTISING**

- Increase demand, velocity and top of mind awareness
- Utilize call to action radio advertising with retailer tags to promote sales-60 second spots
- Increase consumption by generating relevant, emotionally charged messages to A) own a unique place in our consumer's minds, and B) establish prominence in the produce category as a high-value, essential staple

## MERCHANDISING

- Maintain market continuity and strength in transition periods to increase demand
- Implement programs with our retail partners to build demand and “share of value” through data-base-driven, Category Management built on real-world marketplace “Data Intelligence”
- Maximize on-ad presence and in-store visibility
- Leverage media buy to achieve retail promotions, ads and displays
- Encourage retailers to merchandise ripe fruit
- Develop customized promotions for retail chains non-advertised markets
- “Execute a strong” Trade Communications/Relations Campaign

## FOODSERVICE

- Increase awareness and demand through strategic marketing communications that strongly encourage the use of avocados in menu extensions and new, innovative menu applications among key foodservice operators
- Maintain and solidify existing operator base
- Emphasize freshness and quality in innovative new uses
- Expand menu applications

## PUBLIC RELATIONS

- Reinforce the avocado’s status as a versatile, sophisticated fruit
- Maintain relationships with syndicated food/lifestyle editors to generate national coverage
- Broaden and strengthen awareness of the positive avocado nutritional image
- Leverage media interest in national holidays/major consumption periods
- Leverage interest in weight loss/weight maintenance and avocado as a “good fat”
- Promote natural goodness of avocado related to diet and beauty
- Push nutrition message for “successful again” and “developmental nutrition” for babies

## NUTRITION

- Clear up myths and misconceptions about the fruit
- Reinforce “good fat” message to targeted audiences. i.e., women, children, aging population
- Educate the educators (i.e. dietitians and physicians) by providing communication tools that can be shared directly with patients

- Build awareness about positive role avocados can play in key nutrition issues like obesity, diabetes and heart disease

On top of all of that, HAB is building a global intranet program like no other in the world. It will assist in the coordination of all suppliers around a central marketing strategy using real time data. We are building an online program that collects, tracks, analyzes and disseminates all information relevant to sustaining the PVP for avocados in the U.S. Yes—touch screen computers, web cams at the docs, in the supermarkets and a chat room for industry accountability.

Plus, we're capping it off with a crushing communications program that strategically goes into selected markets at key times working with the media and our customers to keep the market strong.

## **THE CHALLENGES ARE MANY**

As you can see, the problems facing the California avocado industry and the United States Avocado market are significant . . . the task formidable . . . the challenges many. But with our strategic orientation, we maximize our chances at success and minimize our downside outcomes. And, in the end, in this raucous business we all share, that's about all you can do.